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Appeals and Adjournments

LOCAL bodies of General Commissioners whose principal function is to hear and adjudicate on appeals against income tax assessments are an institution in Great Britain without which the administration of income tax would be more expensive and less satisfactory. These public-spirited men give their time and ability to act as impartial judges between the taxpayer and the Inland Revenue, and the justice they dispense is speedy, straightforward and cheap. There is need for similar tribunals in relation to estate and stamp duties, for all too often disputes arise where the amount at stake, or the state of the taxpayer's pocket, does not warrant the trouble and expense of High Court proceedings.

Once a taxpayer has given valid notice of appeal against an income tax assessment, the Inland Revenue are unable to proceed with the collection of the tax until the matter has been judicially considered by the Commissioners, or until they can reach an agreement with the appellant. That is a very substantial bulwark against wrong or excessive assessments. It does, however, have the result that many cases are set down for hearing by the Commissioners – not because there is any substantial dispute between the taxpayer and the Inland Revenue, but because the Inspector is unable to obtain the information to satisfy himself that the taxpayer is correctly assessed.

It is a matter of common occurrence that statutory notices requiring the making of returns of income are not complied with, in consequence of which estimated assessments are made in round figures; figures which, needless to say, do not err on the side of conservatism. Appeals are made but are not always followed up by evidence in support, which leaves the Inspector no alternative to setting down the appeals for hearing. At those hearings the Commissioners can, and frequently do, grant adjournments to enable the appellant to produce evidence which may enable him to discharge the burden of proving that the assessment is excessive or misconceived. In appeals against assessments on profits, the evidence is almost invariably accounts of the business in question. Equally, where voluminous documents are produced in evidence and the Inspector has not seen them before, he may ask for an adjournment to enable him to examine them at his leisure.

But adjournments are not a matter of right for either side; they lie in the discretion of the Commissioners. The Special Commissioners are, in general, less ready to grant adjournments, for their programme is drawn up well in advance, giving ample notice to the parties and also making it less easy to make changes in the fixtures: It is true that the Commissioners in hearing an appeal are not adjudicating on a private law suit but are carrying out their duty to inquire into the case to ascertain the right amount to be assessed (*R. v. Special Commissioners, ex parte Elmhirst* (14 A.T.C. 509)). Nevertheless, they are not bound to prolong the inquiry *ad infinitum*.

In 1955, two cases were reported showing the right of the General Commissioners to refuse to grant an adjournment. In *Kilburn v. Bedford* (34 A.T.C. 236) MR JUSTICE HARMAN said there was no duty on them to grant an adjournment.

The case of *Rosette Franks (King Street) Ltd v. Dick* (34 A.T.C. 130) is remarkable in that evidence of the omission of a single sale from the company's books was held sufficient to justify additional assessments for several years. The company had sought an adjournment on the grounds that the state of health of the managing director and his wife had made it impossible to do anything material in the case and that they were unable to attend. The Commissioners refused the adjournment and after hearing further evidence on the company's behalf they confirmed the assessments. MR JUSTICE DANCKWERTS declined to interfere with this decision.

The question of adjournments has recently arisen in a more acute form, in *Noble v. Wilkinson* and *Ridley v. Wilkinson* (*The Times*, June 26th, 1958). MR NOBLE and MR RIDLEY had appealed against estimated 1956–57 assessments made on them as farmers in the sums of £1,000 and £600 respectively. The appeals were made to the General Commissioners for the Tindale Ward of Northumberland.

On the day fixed for the hearing, the Commissioners received a letter from MR NOBLE's solicitors asking for a month's adjournment as they had not had sufficient time to complete the accounts since they received notice of the setting down of the appeal. They added that they did not propose to attend the meeting in person unless the Commissioners considered it necessary 'in which event we shall be glad if you will please telephone the writer before the meeting'. The Commissioners considered it was the duty of the solicitors to decide whether it was in the interests of their client to attend, and not for them to require attendance by telephone. The Inspector told the Commissioners that notice of appeal had been given against two earlier assessments which after two adjournments had been confirmed in the absence of attendance by or on behalf of the appellant. He asked that this assessment be confirmed, there being no evidence that it was excessive. The Commissioners, 'bearing in mind the past history of the case and the lack of information in support of the appeal' confirmed it.

In the case of MR RIDLEY the same solicitors had written to the clerk to the Commissioners asking for an adjournment for one month in that and seven other appeals, to enable the accounts in hand to be completed. The Inspector opposed this too, saying that the appellant had delivered only one year's accounts since he began farming in 1950. Here, again, the Commissioners refused the adjournment 'in view of the past history of the case' but from their 'knowledge of the district' reduced the assessment from £600 to £450. Both appellants appealed to the High Court.

MR JUSTICE WYNN-PARRY said the only matter of law raised was that there had been a miscarriage of justice by the refusal to grant an adjournment. The onus thrown on a party who alleged this was a very heavy one. He could not see that there was any duty on the Commissioners or on their clerk to communicate with the solicitors. They were correct in their view that it was the solicitors' duty to decide whether to attend or not. If they decided not to attend, they did so at the peril of their client.

Even if it was the Commissioners' practice to accept a letter from solicitors as a satisfactory method of applying for an adjournment, it did not follow that they were tied to do that in every single case; they were free to follow a different line in a particular case. His lordship saw nothing wrong in taking the past history of the appellant into account, to decide whether to grant an adjournment. Otherwise, no distinction could be drawn between a taxpayer who was generally up to date and one who was consistently in default.

It had also been argued before his lordship that the decision to reduce the assessment in the case of MR RIDLEY to £450 must be bad. He could not accept that; the Commissioners were dealing with an estimated assessment and had no help from the taxpayer or his advisers. Having regard to the fact that the assessment had been reduced, it seemed a somewhat cynical attitude to take that the reduction vitiated the assessment altogether. The appeals were dismissed with costs.

Finance Bill – X

ESTATE DUTY

Duty on Purchases of Reversions

CLAUSE 23 (5) provides for a limitation of duty under the clause in certain circumstances and would seem to affect principally those cases where a life annuitant buys up the other interests five years before his death. If the annuitant did nothing, then on his death only a slice of the settled fund would be deemed to pass for estate duty. The slice would bear the same proportion to the total fund as the annuity bore to the income from that fund. If the annuitant applied £*x* in buying up the whole of the reversionary interests and then acquired the interest of the life-tenant, then under clause 23 (1) estate duty would have to be paid on the whole £*x*. Clause 23 (5) directs that where the interest within clause 23 (1) (*a*) is such that on its cesser the settled property is treated as passing to a limited extent only (e.g. where the interest is an annuity which does not absorb all the income), then the consideration for the purchase is to be treated for clause 23 purposes as reduced to a corresponding extent. Thus, if an annuity is absorbing only half the income and the annuitant pays £*x* for the reversion on his death, only one-half of that sum will attract duty under clause 23.

Clause 23 (6): Aggregation and Accountability

Since the sum of money which clause 23 (1) deems to pass on the death is a purely notional piece of property, one could argue that it was property in which the deceased never had an interest and therefore should not be aggregated with the other property passing on his death but should be treated as an estate by itself (Finance Act, 1894, Section 4). However, the draftsman has foreseen this. If the deceased made the purchase of the reversionary interest, the notional sum is deemed for aggregation purposes to be property to which he was absolutely entitled on his death. In any other case, it is deemed to form part of the property out of or by means of which the purchase was made (clause 23 (6)).

These rules apply also for determining which persons are accountable to the Inland Revenue for the duty. Thus, in the first case the executors will be liable; in the second case it will be the persons entitled to the property out of which the purchase was made. However, if, before the death, the settlement has come to an end as respects all or any of the property in which the purchased interest subsisted, Section 44 of the Finance Act, 1950, is to apply as though the duty were charged under Section 43 of the Finance Act, 1940, i.e. in respect of the premature determination of a life interest.

Section 44 of the Finance Act, 1950, makes the last trustees accountable for the duty. It also gives to trustees who are about to release trust property the right to apply to the Inland Revenue for a certificate of the maximum duty for which they may be accountable. The Inland Revenue are not bound to give the certificate, but once given (on bona fide information) it restricts the trustees' liability. In any case they have a lien on the trust property for any duty they pay.

Clause 23 (7): Purchase Money Unpaid

Where the deceased bought the reversionary interest but did not pay, the purchase money will normally be a debt deductible from his estate under Section 7 (1) of the Finance Act, 1894. This, of course, will be perfectly fair if the purchase money is being brought into charge. However, there are two old-established anti-avoidance provisions directed against the deduction of certain debts. They are Section 57 of the Finance (1909–10) Act, 1910, and Section 31 of the Finance Act, 1939. If, in appropriate circumstances, either of these was allowed to apply there would, in effect, be double taxation, so clause 23 (7) in effect excludes them.

Section 57 is confined to debts arising on purchases of interests in expectancy. Clause 23 (7) directs that it shall not apply to a debt incurred in consideration for a purchase made less than five years before the death; apparently whether or not there is liability under clause 23 (1). Sub-clause (7) goes on to direct that where duty is chargeable under clause 23 (1), any debt incurred by the deceased wholly or partly as consideration for the purchase is to be left out of account for the purposes of Section 31 of the Finance Act, 1939. This section is aimed at tax avoidance under which the deceased gives money or property outright during his lifetime but borrows it back.

In general, the debts which but for clause 23 (7) would be disallowed are by that sub-clause made available for full deduction under Section 7 (1) of the Finance Act, 1894. However, where the accounting parties have exercised the option, under the proviso to clause 23 (1), to charge duty on the interest which actually passes on the death (instead of on the purchase money for that interest), then any debt which is deductible by virtue of clause 23 (7) is to be confined to that interest (clause 23 (8)). It follows that any excess of the debt over the value of the interest is disallowed. This is a factor to be borne in mind when considering whether or not to exercise the option.

Clause 23 (10): Exemption where Settled Property Exempt

The assumption underlying the new charge to duty under clause 23 (1) is that if the life-tenant had done nothing, then the settled property would have attracted duty on his death. This assumption may, in certain cases, be false, in which case there may be no avoidance element in the purchase of the reversionary interest. The life-tenant may, for instance, have taken her interest under her late husband's will, in which case the 'surviving spouse' exemption will probably apply to the settled property on her death. She may have bought the reversionary interest simply to give financial assistance to the reversioner, although, of course, motive as such has no effect on the operation of clause 23. Again, the settled property may be immovable property situate abroad, and free from duty on that account.

Clause 23 (10) provides that clause 23 (1) shall not apply if:

(*a*) duty is not chargeable by reason of the coming to an end of the life interest; or

(*b*) duty would not be chargeable if the life interest had continued to subsist until the death; or

(*c*) the settled property is of too small a principal value for duty to be payable.

Clause 24: Near-simultaneous Deaths

Where two or more people die in circumstances which make it uncertain in what order they died, there is a statutory presumption that the younger survived the older (Law of Property Act, 1925, Section 184). It does not need much imagination to realize that this may have disastrous effects for estate duty purposes. However, it needed a striking example to rouse the legislative conscience. This was provided by *Re Beare* ([1958] T.R. 181). Mr and Mrs Beare both died in the same accident, leaving four infant children. Mr Beare, the elder of the two, left his whole estate to his wife who died intestate. The Court held that the medical evidence left it uncertain which died first and accordingly that the statutory presumption applied. This meant a double charge to estate duty.

Clause 24 (1) now provides, in relation to similar deaths after April 15th, 1958, that the property chargeable to duty in respect of each death shall be ascertained as if the two persons had died at the same instant and all relevant property had devolved accordingly.

Clause 24 (2) deals mainly with a similar situation created by Section 33 of the Wills Act, 1837, as construed by the Court in *Re Scott* ([1901] 1 K.B. 228). Under that section, where a testator makes a bequest to his own issue, e.g. to a son, and the son predeceases him, leaving issue, then the gift 'shall take effect as if the death of the (son) had happened immediately after the death of the testator'. The Court of Appeal held in *Re Scott* that the bequeathed property thereby became chargeable to duty not only on the death of the testator but also on the earlier death of the son. Clause 24 (2) now provides that for estate duty purposes property shall not be deemed to pass on a person's death because on a later or simultaneous death (the testator's) a testamentary disposition of that property takes effect, under Section 33 of the Wills Act, 1837, *or otherwise*, as if that person had survived the testator.

Clause 25: Quick Succession Relief

The case of *Re Beare* seems also to have precipitated a radical extension of the present somewhat limited scope of the relief for quick successions, i.e. relief where the same property passes on two successive deaths within five years.

(*To be continued.*)

Taxes in the Soviet Union

CONTRIBUTED

A RECENT study of the Soviet budgetary and fiscal system explains that the function of the financial system is to ensure that

> 'the right amount of money is available in the right place to enable economic units to make investments, pay wages and purchase materials in accordance with the plan'.[1]

Furthermore, the budget has also to ensure that the rate of 'savings' within the economy is sufficient to finance the investment programme without inflation.

The tax system of the Soviet Union is quite different from anything to which we in the West are accustomed, primarily because it is designed to meet the needs of a centrally planned economy. The main source of revenue is the State controlled industry, yet despite the tremendous expansion in industry and with that a similarly rapid growth in urban communities dependent upon wages, a large part of the population is still rural. The tax system must be adapted to this composite economy.

Historical Background

Before 1913, nearly 90 per cent of tax revenues were derived from indirect taxes, i.e. customs and excise duties. Of this total, the duty on vodka which was a State monopoly alone contributed over half. Direct taxation was in principle chargeable upon estates and income derived from trade and from the land. In practice, less than ten per cent of the revenues were derived from this source, primarily on account of the utterly inefficient administration. In the 1920s, there was considerable experimentation with budgetary policy, but the basic problem was simple enough. It was the need to encourage production of both food and industrial products, even to the extent of encouraging private trade. At the same time, the authorities were engaged in a continuous battle against inflation. In 1930, however, on the basis of the post-revolution experience, certain reforms were introduced. The present tax structure and budgetary system has remained, in its basic characteristics, virtually unchanged since that time, despite the Nazi invasion.

Quite early after the revolution the authorities learned that excessive over-centralization of power led to economic inefficiency. Some decentralization of financial and especially fiscal powers was effected. Since 1953, this development has been considerably accelerated; for example, whereas 80 per cent of the capital expenditure had been approved by the Union central government in 1953, two years later the proportion had fallen to just over half, the balance being controlled by the republics. The Union budget is made up on the basis of a central plan. Separate budgets for each of the republics are integrated with the Union budget, while within the framework of the republican budgets fall the budgets of the local soviets. In view of the differing resources of the republics and the soviets, there is some sharing out of revenues between them, mainly through the central budget. While the Union budget relies largely upon taxes imposed upon the 'accumulations' – a term peculiar to the Soviet system which appears to represent profits of enterprises – the turnover tax which is paid by all enterprises appears to be shared between the Union and the republics. The local soviets receive the revenue from the locally administered taxes such as the income taxes and certain licence fees. The administration of the tax collecting machine has been greatly improved over the years; just before the war a number of senior officials were liquidated for 'wrecking activities'!

Turnover Tax

Over half of the tax revenues are derived from the *turnover tax*, which in the 1930s yielded nearly two-thirds of all revenues. This tax is collected from the individual enterprise or factory unit in the case of the larger producers. Where the production units are small, there is a system of central collection by an area collecting agency. The rate of tax charged may be related to the value of the firm's output, or be based upon so much per unit produced.

There is not, as with our purchase tax, any time lag in collection. For many consumer trades the tax is remitted daily to the authorities with only a two-day time lag. Some industries are permitted a ten-day delay, while some others as much as a month. The tax is of major significance in enforcing compliance with the central plan. The rate varies from industry to industry. For example, the rate imposed upon heavy capital goods industries including fuel and transport is quite low. On consumer goods trades the tax is high; it is supplemented by a similar tax in respect of consumer service establishments. This discrimination reflects the industrialization drive which has been a feature of Soviet life since 1918.

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[1] *The Development of the Soviet Budgetary System*, by R. W. Davies. Cambridge U.P. 45*s* net. This is an extremely detailed doctoral thesis which describes the evolution of the Soviet budgetary system and economic planning machine. It is primarily a study for students of Soviet affairs and for economists.

Where the industry produces a range of products bearing different rates of tax, the tax due is computed on the basis of a weighted average rate on the total output of goods and at intervals is adjusted for pre-payments or arrears. Relief from this tax is granted where the firms employ disabled labour; similarly, to avoid double taxation and the consequent 'pyramiding' effect on prices, the tax is chargeable once only at the final stage of production. Goods transferred between firms within the same industry or region are also exempt.

Accumulation Tax

From the point of view of the individual enterprise, the turnover tax is a cost. The difference between the selling price of the final product and its total costs of production is termed the accumulation and this is also taxed. Here, again, in accordance with the plan, the rates of tax vary from industry to industry and even from firm to firm. It will be appreciated that the higher the rate of turnover tax, the lower will be the accumulation. Little is known of the principles on which this tax is based; the amount of net profits retained by the enterprise does not necessarily determine the volume of net investment it may undertake. This is fixed at superior levels. Similar uncertainty surrounds the turnover tax, for while the rate of tax can obviously be used to adjust potential demand to output the Soviet authorities are quite prepared to tolerate shortages where demand for a product at a given price-cum-tax cannot be met from current output. Nevertheless, it seems clear that the level of profit or accumulation is largely determined by the rate of turnover tax. Where, however, a factory makes abnormally large profits in relation to its plan, the surplus is subject to the tax on accumulations. Before the war about one-half of such profits were retained; it had early been learned that wholesale transfers of profits to the budget did not encourage efficiency. This tax on accumulations provides about a third of all revenues. In other words, the turnover and accumulations taxes paid mainly by the State enterprises – but largely passed on to the consumer in the price of the product – account for over four-fifths of all revenue.

Personal Taxation

The *income tax* on persons is relatively unimportant in terms of revenue, producing about 2 per cent of the total budget revenues. The law provides for exemptions below a certain income and for certain classes of the community, e.g. Heroes of the Soviet Union. The rates vary from group to group within the community, being determined by the 'social characteristics' of the group. For example, office workers pay different rates from artists and actors, and they in turn pay different rates from doctors and lawyers in private practice.

Taxation of the agricultural community is rather complex. Co-operative farms pay at a different rate from co-operative industries. The latter differ from the State-owned large-scale enterprises since they are generally small and less efficient. Collective farms have been a problem in the past but nowadays pay a flat rate of tax on sales of produce. Relief and exemption is granted on the proceeds of any produce compulsorily acquired by the State (at relatively low prices).

The individual peasant is liable to an income tax which is so designed to encourage his active participation in the collective farm rather than his own holding. A basic income is imputed dependent upon the size of his holding and the number of livestock with an adjustment for the quality of his land according to the region in which he works.

It is apparent that the fiscal system of the Soviet is designed to enforce economic policy. Wages and prices are not determined by the market but are fixed by the Government. For this reason, it is doubtful whether the fiscal experience of the Soviet has any real significance for the economies of the free world, although its experience may well be of interest to the underdeveloped countries trying to carry out a large-scale industrialization programme. Certainly there is every reason for trying to understand the workings of the Soviet economy.

MEMBERSHIP OF ACCOUNTANCY BODIES

As at January 1st†

	1958			1957			1950			1940	STUDENTS				
	Total membership	In practice	Not in practice*	Total membership	In practice	Not in practice*	Total membership	In practice	Not in practice*	Total membership		Jan. to Dec. 1957	Jan. to Dec. 1956	Jan. to Dec. 1949	Jan. to Dec. 1939
The Institute of Chartered Accountants of Scotland	6,289‡	1,445	4,844	6,015	1,391	4,624	4,924			4,477	*Indentures Registered*	309	352	335	190
The Institute of Chartered Accountants in England and Wales	20,124‡	7,600	12,524	19,414	7,500	11,914	14,632	6,183	8,449	13,473	*New Articled Clerks*	1,624	1,596	1,305	663
The Institute of Chartered Accountants in Ireland	1,315‡	418	897	1,002	300	702	724	258	466	433	*New Articled Clerks*	91	53	72	41
The Society of Incorporated Accountants	11,530†			11,137	3,642	7,495	8,496	3,253	5,243	7,754	*New Articled Clerks and Bye-law Candidates*	763	1,163	1,363	586
The Association of Certified and Corporate Accountants	10,103			9,900			7,664			6,092	*New Registrations*	1,251	1,304	1,710	1,635
The Institute of Municipal Treasurers and Accountants	2,915			2,804			1,805			1,242	*Admitted after passing or being exempted from the Intermediate Examination*	212	162	285	102
The Institute of Cost and Works Accountants	5,758			5,352			2,710			1,233	*New Registrations*	3,173	2,919	1,793	436

* Includes members not in practice who are employed by a firm of accountants.

† As at November 2nd, 1957, in respect of The Society of Incorporated Accountants when that body entered into voluntary liquidation under the Schemes of Integration with the Chartered Institutes.

‡ Includes members of the Society admitted in December 1957 under the Integration Schemes, as follows: Scottish Institute, 102; English Institute, 8; Irish Institute, 271.

Sales Requirements

Value of Correlation of Sales Promotion and Accounting Functions

by M. C. ASHWORTH, B.A.,
Personnel Administration Limited

IN marketing, one often hears the remark, 'It is easy to give stuff away; selling only begins when you start making a profit.' This is true; it is also true that every enterprise that is producing either a product or a service must ultimately have as an objective the making of a profit – even if it is only intended to cover the bare minimum return on the capital invested as well as depreciation and other capital renewals. In a free and competitive society, no enterprise can exist without conforming to this rule, and it is essential that the sales people should not just sell, but plan their activities so as to sell profitably.

Primarily the sales side must rely upon the accounting department for the information in order to achieve this; equally well the accounting side cannot do this unless they know exactly what information is required, in what form and preferably what it is to be used for. It is very important, therefore, that there should be more than just a casual understanding between the sales and accounting sides in industry in order to achieve this.

Information Required

Broadly speaking, the information required for sales purposes comes under two headings:

(1) Statistical and control information – usually of a historical nature – which is designed to show what has happened and, if possible, why it happened.

(2) Information of a more fundamental nature which is intended for planning of future sales policy. In this talk, of course, there will only be time to cover this in a general way, and I shall merely refer to certain financial aspects which will include costing, pricing and some capital requirements.

Statistical and control information is not an end in itself. It is expensive to produce, and we must be very clear as regards exactly what purpose it is intended to serve before we can express any views on what is wanted. This is contrary to the situation in a lot of organizations where one finds that as the company has gradually developed over the years, so one little bit of information has been imposed upon another until eventually the total is coming from half a dozen different sources and people have really forgotten what some of it was intended for.

As far as sales are concerned, the information that we are considering is intended for one purpose only – to inform the sales manager of the extent to which the results being achieved conform with the previously planned sales policy; this is done by:

(*a*) pin-pointing important variances from the plan;

(*b*) throwing up reasons for variances from the plan.

However, this in itself is not enough unless it provides the sales manager with sufficient information so that he can deduce what course of remedial action is necessary and then implement it. The last two words are the important ones – the whole of statistical information must be directed towards enabling the sales manager to take action.

Now what sort of information do we want? Generalizations are difficult, but if we take as an example a manufacturing organization that employs a number of representatives, then by virtue of the fact that it obtains its sales through the use of representatives, clearly their activities are what matter and about which we want information.

To say that we want to know everything about them would be neither possible nor profitable, so we must concentrate on arranging our information in such a way that two conditions are satisfied:

(1) Variances are thrown up;

(2) More detailed information can easily be produced to satisfy any inquiry into the reasons for particular variances.

Control Information

We can now start to outline what we want, and even more important, in what form we want it.

(i) *Activity*

What have my representatives been doing?
- how many calls have they been making?
- who have they been calling on?

(ii) *Results*

What results have they produced?
- how many orders have they got?
- what products have been ordered?
- what is the value of the goods ordered?
- what profit is the company making from these orders?

(iii) *Cost*

What is the cost of my sales effort?
- what bonus or commission is each man earning and is it equitable?
- what expenses does each man incur?
- are the total selling costs commensurate with the

A talk given at the City of London College on February 26th, 1958.

profit earned or, in other words, are the selling costs right compared with turnover and profit?

Apart from the information on representatives' activities, which can most easily be obtained from analysis in the sales office of the representatives' reports (unless block calling methods are used), the rest of the information should be produced as an integral part of the accounting and invoicing procedures.

So far as sales are concerned for each area, the information required might simply consist of the total sales in each of the three main product groups for each month. Analyses of costs should be produced each month or when the ledgers are balanced.

Presentation

Now the important thing about this is not so much what figures are produced but the way in which they are presented, so as to facilitate conclusions to be drawn and remedial action initiated. This will almost certainly necessitate the availability of subsidiary information that is not produced as a routine but is kept in such a way that it is obtainable at short notice when required.

Fig. 1 illustrates the type of presentation that has been found useful for this purpose. The control itself is divided into three main sections of interest – results, activity and costs. The importance of avoiding too much detail is illustrated by the fact that figures for only a limited number of probably large product groups are given. The performance column which shows how the actual results obtained compare with some preconceived standard, is of great importance to a sales manager. Under the heading of 'costs' the fixed items which will probably consist of salary (as opposed to commission) and the depreciation on the salesman's car, can be put together since they are predetermined and not subject to day-to-day control; whereas commission and expenses must be shown separately as items over which the sales manager must keep a sharp eye.

FIG. 1

DISTRICT/DIVISIONAL CONTROL SUMMARY

Period.............................. *District/Division*.......................

Areas/Districts	OPERATING COSTS								ACTIVITY				
	Salary	Bonus	Car expenses	Other expenses	Total month's cost	M.A.T. cost	Percentage of £ sales	Remarks	No. of calls made	No. of orders taken	No. of possible calls	Performance	Remarks
Month:													

DISTRICT/DIVISIONAL CONTROL SUMMARY

Period......................... *District/Division*.....................

Areas/Districts	MONTHLY SALES										M.A.T.'s				PERFORMANCE		
	Product A (units)			Product B (units)			Product C (units)			£	Products A, B and C			£	Products A, B and C		
			Total			Total			Total								
Month:																	

As a result of the use of these statistics, it may often be necessary to refer to individual customer records, either to ascertain what business has been transacted or to find what the representative has been doing with the customer. These records can most usefully be maintained in the sales department itself. The conventional way of doing this is by the use of some sort of visible-edge card file, which might record the date of the representative's visit and business transacted. In most cases no more is required as long as details of any orders or quotations are readily available – cross-referenced – in date or numerical order. A useful adjunct is some form of signalling system on the visible edge of the card, so as to enable control to be maintained, not so much by detailed perusal of the cards as by a quick inspection of the visible signals when any unsatisfactory feature will make itself very prominent.

Production of the Statistics

The production of the statistics themselves can obviously be brought about by many different ways, from manual processes to punched cards, and the selection of the method is going to depend on so many special factors that no general rules can be made. It is not often, for instance, that a punched-card installation can be justified purely for sales purposes, although if it were combined with invoicing then, of course, it might. It is clear, however, that one of the basic sources of sales statistics is the invoice itself and since this is part of the normal accounting procedures, any analysis of invoices lends itself to incorporation into some part of these procedures. This has the additional merit that one can always be sure of a reconciliation between accounts and sales figures – and in fact only one set of figures exists in the company.

Modern machine accounting has made such strides in recent years that it is very seldom necessary now to make a special analysis of invoices for sales purposes, for all the required information can be obtained by careful planning of the posting routines. Where an existing machine does not permit this to be done, more elaborate equipment can almost certainly be justified when compared with the cost of manual extraction of information. One must not, however, be swept away by enthusiasm of elaborate equipment and overlook, for instance, the possibility of the customer using a specially printed order form which can then eventually have the prices extended on it, and sent back as an invoice.

Summarizing routine control statistics therefore:

(1) They must be as simple and as few as possible.

(2) The presentation of them is vitally important, if indeed any use is to be made of them by a non-statistician.

(3) The production of them should be combined to the maximum extent with the routine invoicing and accounting procedures.

Determining Selling Prices

Earlier on we noted that one sales objective must be to ensure that policies being pursued today will not result in unsatisfactory trading profits tomorrow. This problem concerns the relationship between costs and prices – in other words the trading account – and can often be a cause of considerable disagreement between accountants and sales managers.

The difference between the cost of an article and its net selling price is usually regarded as the profit on the transaction and this conception is a simple and straightforward one where you are concerned with manufacture of only one article and selling it through only one channel of distribution. As soon as either of these diversify, then we have to adopt some convention in order to allocate costs to each product which are not directly attributable to the product as such but to the business as a whole – the gatekeeper's wages, directors' fees and such. The allocation of these costs may be on a reasonably logical basis, but nevertheless do not let us overlook the fact that it is arbitrary. By fixing prices on this type of costing we can usually be sure that, providing we achieve the budgeted sales volume, we will recover all our fixed overheads and make an appropriate net profit. One snag, however, is that it is quite possible to arrive at a price that is quite unrealistic in terms of market possibilities – either too high or too low – because competitor's prices are arrived at either by a different costing convention, or the pattern of his business is different – involving a different spread of overheads.

It could also easily be that, by working on too low or conservative a figure for budgeted output, too high an overhead recovery rate has had to be assumed which has resulted in too high a price.

From a sales point of view there is one aspect of this approach to costing which is of great importance. In a forward-looking company, the representatives do not just go out and sell; they should go out and sell in *accordance with the agreed policy of the company*.

Relative Profitability

Amongst other things, one of the factors that will determine this is the relative profitability of the various products that they have to offer; in other words, the sales manager will want an answer to the question, 'Which will give me more profit – selling another £1,000 worth of product A or of product B?' This question cannot be answered from the method of costing already referred to, since we now want to know how much profit we shall make by selling *one more* of the product.

Clearly by manufacturing and selling one more of an article, the fixed overhead charges of the company are unaltered and so the profit will increase by the difference between the selling price and direct (or variable) costs of producing the article. For purposes of this discussion I shall refer to this as the gross margin. You will of course appreciate that on this definition, the gross margin of a product also represents the contribution that it makes to fixed overheads and profit, and also that by comparing the gross margin of two products you immediately get an answer to the question which our hypothetical sales manager posed a moment ago.

From a costing point of view, it does of course mean additional work in so far as all costs have to be broken down and split between fixed and variable, but without the information so derived, the sales manager must be a grievously ignorant man.

The importance of this in practice can be best demonstrated by the following example:

	Turnover £	*Total cost* £	*Net profit Percentage*	*Direct variable cost* £	*Gross margin Percentage*	*Allocated fixed overhead* £
Pumps ..	500,000	450,000	10	300,000	40	150,000
Spanners ..	500,000	425,000	15	375,000	25	50,000

According to conventional costing, you would probably argue quite justifiably that because the pumps necessitate a lot of research and development work, design and drawing office space and even service in the field, it is logical and reasonable that the product should carry the costs of these items, compared with spanners which incur none of these costs and, once they are sold, that is that. That is perfectly true, but you can easily perceive from the figures in the table that in the future interests of the company's trading position it would pay the sales manager to put sales pressure on pumps rather than on spanners.

One qualification is required in considering this situation, however, which refers to the definition of a fixed overhead charge. The textbook will define it as an item of expense that is substantially constant in spite of changes in the volume produced. In fact, of course, we can all recognize from experience these items and even if in some cases we have to estimate a split of a particular item between fixed and variable, the result is usually accurate enough for all practical purposes. There comes a time, however, when if the changes in sales volume that are contemplated are large enough, then some of the so-called fixed costs themselves will vary – for instance, more floor space might be required involving increased rent, rates, depreciation and supervision costs.

It follows, therefore, that neither the 'total cost' type of costing, nor the 'direct variable' type to give a gross margin, is ever likely to be completely adequate by itself, from a sales manager's point of view. In practice it must be a combination of the two, depending upon the particular problem and the circumstances. For this reason a sympathetic understanding, on the part of the accountant, of the problems involved can be extremely valuable in helping the sales manager to decide on his sales policy.

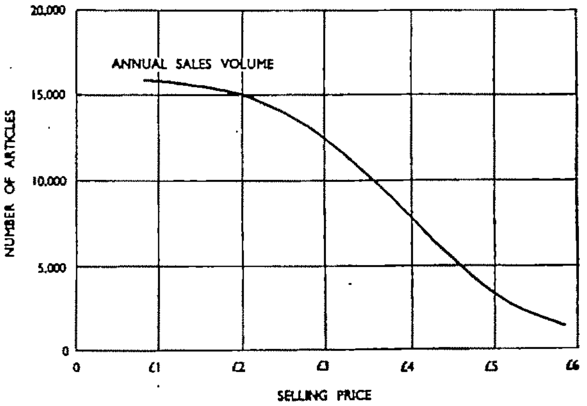
The Selling Price

I have referred more than once to profitable selling. One of the most important factors in determining the profitability of a product that is within the control of the sales manager is the selling price. Obviously the higher the selling price, the greater the unit profitability. Unfortunately, however, it is often found that the higher the selling price, the fewer we are likely to sell, and it is therefore well worth while to study this relationship and observe what conclusions can be reached.

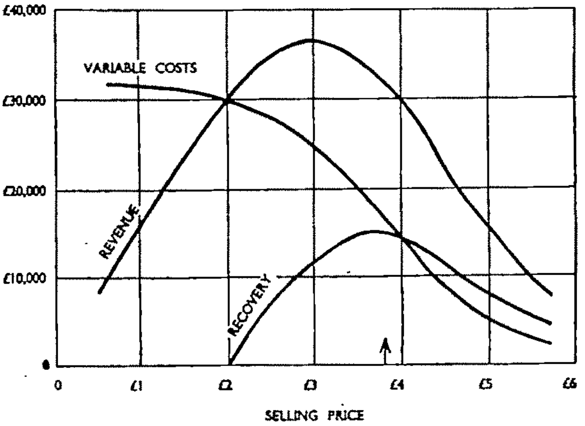
If we plot sales volume against selling price on a graph, it is most likely to look like the upper chart in Fig. 2. Whereas this relationship may not hold for any particular product which you may have in mind, I think you will agree that the final conclusions are unaltered. If we calculate from the sales volume, over the range on this chart, what the total variable cost of producing these various quantities of goods will be, then we get a similar type of curve as shown in the lower chart. We can then proceed on the same chart to plot the revenue and the 'recovery'.

FIG. 2

RELATIONSHIP BETWEEN SALES VOLUME AND SELLING PRICE



TOTAL VARIABLE COSTS OF £2 PER ARTICLE



By the definition that I have just given, the 'recovery' is the positive difference between the revenue and total variable cost and you will observe that it starts from zero at a selling price of £2 (this is where the two lines cross), goes through a maximum and then gradually falls away. The only point of importance is that no matter what the shape of the original curve was, there is always one point and only one point at which the 'recovery' and therefore net profit is a maximum.

From this you can see immediately that providing we know how the sales volume and selling prices vary, it is purely a matter of arithmetic to discover at what price you make the maximum 'recovery'. You will also observe from the graph that the selling price that gives the maximum 'recovery' or profit is quite different from that which gives maximum turnover.

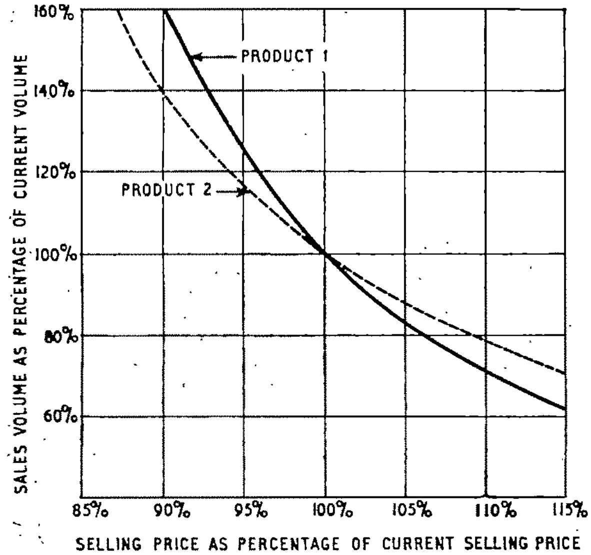
Lines of Equal Recovery

So much for the theory; in practice, unfortunately, there are very few cases where it is possible to discover with any degree of precision exactly what the selling price/sales volume relationship is. We have therefore to try to reduce the problem to one of assessing clearly defined probabilities, bearing in mind that it is maximum 'recovery' that we are after.

The simplest way of doing this is by asking oneself the question: If I altered my prices by *x* per cent, by how much will my sales volume have to alter in order to provide me with the same profit or 'recovery'? If you do this and plot the results on a graph you get something like Fig. 3, which shows what we call 'lines of equal recovery'.

FIG. 3

LINES OF EQUAL RECOVERY



This graph is intended to show more clearly how you stand to lose or gain by an alteration in the selling price. For instance, one can say that if prices are increased by 5 per cent, so long as the sales volume does not decrease by more than the chart indicates, one is better off. Conversely, if prices are decreased, sales must increase by the amounts shown. It is an assessment of these two alternatives, in terms of which is the most probable, that is the determining factor in fixing the 'selling price'.

Although I have tried to reduce this problem to the simplest possible terms, it is by no means simple in practice; and even the man with the most intimate knowledge of the product and the particular market concerned, will frequently hesitate to pronounce his opinion on the probabilities that I have just mentioned.

In many cases, however, we can go a stage further since most companies manufacture more than one product, sold through the same outlets to the same market. In other words, the same marketing conditions apply. If we draw the 'lines of equal recovery' for each product, it is most likely that we shall get a family of curves with varying gradients. Where similar products are concerned the steeper the gradient, the more keenly competitive that product is in the unrestricted market. It follows, therefore, that where the company is selling two or more products which appeal to the same market and the same competition, that they should be equally competitive, and the gradients of their 'lines of equal recovery' should also be the same. Where this is not so, clearly the price of one or other of the products seems to call for inspection.

Although this approach cannot be applied exactly as I have described in certain price restricted markets (for instance, goods that must be sold for 4*s* 11*d* or 5*s* 11*d*), these principles can be extremely valuable, especially where it is necessary to relate the profitability of certain products with other factors of importance in the business.

So far I have only referred to profitability with reference to sales volume and overall company profits; it would be wrong, however, not to mention that there can be many cases where profitability must be measured in terms of profit per unit of labour cost, or in profit per £1 of resources required to finance its manufacture and sales.

This last point can very profitably repay detailed study and is of great importance in the present inflationary conditions.

Financing Increases in Sales Volume

Finally, I want to refer to sales volume and its effect on the capital side of a company's finance.

Our paragon of a sales manager is always seeking ways and means of increasing the profits of the company. We have just discussed ways and means of doing this, emanating from costing and pricing considerations. Now one of the methods usually to the fore in the sales manager's mind is the expedient of increasing sales volume since he is told that if he sells more of the profitable lines then the company is bound to prosper.

So he makes his arrangements and plans to increase his sales by, say, 50 per cent over three years. His co-directors are overjoyed at the prospect that is unfolded and away they go.

But wait! After six months sales are going up and the overdraft has mysteriously started to rise and is now at the maximum permissible. I was about to say that no one could understand the unsatisfactory state of the bank position, but of course the chief accountant – had he been asked his opinion – could very easily have predicted it; but unfortunately not the sales manager who originated the plan. He was unaware, for instance, of the difference in terms of time between having to pay for the additional raw materials – and labour for that matter – and obtaining payment for the additional goods invoiced. He did not have any exact idea of the additional capital investment required in terms of stocks of both raw and finished materials in order to support the increased sales volume. He had no exact appreciation of the current liquidity position of the company, so how could he possibly have made any reasonable plans for the future investment of the company's capital. It is a situation which is sometimes known as 'overtrading' and is all too little guarded against when future marketing policy is being considered.

This, then, is yet another example which is often all too little appreciated where the sales and accounting sides of business must work very closely together.

The sales manager's prime responsibility is indeed to help to formulate and implement the company's policy in terms of sales. The accountant is the guardian of the company's finance. Neither one nor the other can expect to act in the widest sense in the best interests of the company unless they have mutually a broad basis of understanding of each other's problems and a full appreciation of what the company wants to do and why it should do it.

Weekly Notes

The Scottish Institute's Examinations

THE results of the May 1958 examinations of The Institute of Chartered Accountants of Scotland, now announced, show that there were 60 successful candidates in the Final examination and 106 successful candidates in the Intermediate.

The Albert J. Watson prize for the candidate obtaining the highest number of marks in the First Division of the Final examination was won by Mr Harold Hyman Bach, of Glasgow.

The Sir William McLintock Prize for the two candidates obtaining the highest and second highest number of marks in the Second Division of the Intermediate examination was awarded jointly to Mr John Alexander Cooper, of Aberdeen, and Mr David Ray Kesson, of Glasgow.

The names of the successful candidates in the Final and Intermediate examinations (Second Division) appear elsewhere in this issue.

The Institute's Annual Service

THE Bishop of London preached the sermon at the annual service of The Institute of Chartered Accountants in England and Wales held in the church of St Margaret, Lothbury, EC2, last Wednesday.

Mr W. L. Barrows, F.C.A., President of the Institute – who read the lesson from the fourth chapter of Philippians – members of the Council, and about 70 members of the Institute, attended. Psalm 150 was sung and the hymns chosen for the occasion were: 'All people that on earth do dwell'; 'O God of Bethel, by whose hand'; and 'Praise, my soul, the King of Heaven'. A collection for the Chartered Accountants' Benevolent Association amounted to £54 12*s* 2*d*.

Birthday Honours

IN previous issues it has been our privilege to congratulate those members of the profession whose names appeared in the Birthday Honours List. We should now like to congratulate also Mr C. H. Bushell, A.C.A., assistant director, Overseas Audit Department, who receives the O.B.E.

New Zealand Budget

THE New Zealand Budget, presented on June 26th, provides for very heavy tax increases as an onslaught against inflation. The greater part of the £27½ million extra revenue will come from taxes on incomes. Personal exemption is reduced from £375 to £300, with a compensatory increase of £75 to the wife's exemption for married couples. The basic rate of tax goes back to 3*s* in the £, the 25 per cent reduction given last year being withdrawn. Company dividends (out of profits which have already borne tax) will now be taxable on the recipients at rates up to 7*s* in the £. Company profits remain taxable but with a reduction of 2*d* in the £, to make the maximum income and social security tax 10*s* in the £.

If companies retain more than 50 per cent of the annual profit after taxation, they will have to pay a new 'excess retention tax' of 7*s* in the £. The new rates of individual tax will apply to P.A.Y.E. from October 1st. Death duties on estates over £12,000 go up by about one-quarter, and gift duties are substantially increased. Sales tax on motor vehicles (other than cycles) goes up from 20 per cent to 40 per cent. Some remarkable increases apply to tobacco and drinks. Cigarette duty at 70*s* a thousand is more than doubled; pipe tobacco is increased correspondingly; beer duty is doubled to 6*s* a gallon; and spirits duty is doubled to 120*s* a gallon.

To offset these increases, family benefits will be increased from 10*s* a week to 15*s* a week for each child. Superannuation will be increased to £156 a year next year and to £208 in 1960. Old age benefits also go up.

Following severe criticism of some of the proposals, the Minister of Finance announced last Tuesday two modifications. The new tax on dividends would not be charged on dividends paid out of capital profits or capital appreciations. Moreover, the Inland Revenue would have power to remit part of the new excess retention tax if the company had to retain profits because of existing commitments.

Integration Proposals in South Africa

ON July 7th, meetings are to be held of members of the three chartered accountancy societies in South Africa – The Cape Society of Accountants and Auditors, The Transvaal Society of Accountants and The Natal Society of Accountants – when proposals for the absorption of practising members of the South African Branch of the Association of Certified and Corporate Accountants and of the Association of Practising Accountants of South Africa, will be formally considered and voted upon.

A referendum taken last year among the members of the three bodies has already shown a substantial majority in favour of the proposals. The special resolutions to be submitted at the meetings require:

> 'Proof by the applicant that he is in public practice and has been in public practice continuously during the period of five years immediately preceding the date of his application for admission, and that either:
>
> (i) he was a member in good standing at December 31st, 1955, of either the South African Branch of the Association of Certified and Corporate Accountants or the Association of Practising Accountants of South Africa; or
>
> (ii) that at November 1st, 1951, he was serving or had completed service in the Union under Articles of Clerkship with a member of either of the bodies referred to in paragraph (i) above.'

The resolution also provides that these requirements shall only come into force as and when all three chartered societies amend their respective bye-laws accordingly, and the South African Branch of the Association and the Association of Practising Accountants of South Africa shall have been dissolved.

The reason for the proposals are stated to be the desire to bring about a closer union between the professional accounting bodies in South Africa.

Sir John Braithwaite to Retire

AFTER ten years as chairman of the Council of the London Stock Exchange, Sir John Braithwaite has announced that he will retire from the Council in June 1959.

Sir John was elected to the Committee for General Purposes – then the governing body of the London Stock Exchange – in 1937. He became a deputy chairman in 1946 and in 1949 was elected chairman of the Council. He has been a member of the Stock Exchange for fifty-one years and is a partner in a family firm founded in 1825.

Sir John, who received his knighthood in 1953, has been the moving spirit behind many of the changes which have increased knowledge of the Stock Exchange in recent years. He has played an outstanding part in explaining to the public the value of the Stock Exchange as a national institution and has lectured, broadcast and appeared on television. During his chairmanship, books and pamphlets have been published on the work of the 'House' and the Visitors Gallery has been constructed – 300,000 people have been through the gallery since it was opened.

Sir John has devoted himself wholeheartedly to the work of the Stock Exchange and his period of office has been the most auspicious in its history. His retirement next year will indeed be a loss to the Council on which he serves so successfully.

Estate Duty on Trustee's Remuneration

THE Court of Appeal on June 26th dismissed the appeal of the public trustee against the decision of Mr Justice Danckwerts in *Public Trustee v. C.I.R.* which we reported in a Weekly Note in our issue of February 22nd, 1958. (*The Times*, June 27th, 1958.) A Mr Arnholz, trustee of the estate of the late Lord Northcliffe, was entitled during his lifetime to three of the 49½ shares into which the estate was divided. The will expressed the income as being given in respect of his acting as executor and trustee and as remuneration therefor, but also contained a reference to the fact that Mr Arnholz was a very old friend of the testator. In 1929 it was held that on the death of any income beneficiary a corresponding slice of the estate passed for estate duty purposes under Section 1 of the Finance Act, 1894 (*Re Northcliffe* [1929] 1 Ch. 327)).

When another trustee, also entitled to income, died in 1947 the Inland Revenue did not claim estate duty as it was believed that the exemption in Section 2 (1) (*b*) of the 1894 Act applied. This excludes the property from duty if the deceased's interest in it was as holder of an office. However, in 1950, it was held that, Section 1 and Section 2 being mutually exclusive, if a case falls within Section 1 it cannot be within Section 2 (*Re Duke of Norfolk's Will Trusts* (29 A.T.C. 7)). As there is no corresponding exemption in Section 1, the Inland Revenue claimed duty on Mr Arnholz's death in 1955, and Mr Justice Danckwerts upheld this claim.

In the Court of Appeal it was argued on behalf of the Public Trustee that the principle of the dichotomy between Sections 1 and 2, which rested on a dictum of Lord Macnaghten in *Earl Cowley v. C.I.R.* ([1899] A.C. 491), had been called into question by the judgment of Lord Radcliffe in *Sanderson v. C.I.R.* (34 A.T.C. 316) where he said that the dictum ought to be resigned to 'the list of many minor mysteries of the law'. However, the Court held that this was not enough to displace the principle. The present case showed up one striking anomaly, but the Court had to dismiss the appeal. Leave was given to appeal to the House of Lords.

Friendly Societies and Rating

THE House of Lords has held that a friendly society is not 'established or conducted for profit' but that on the other hand it is not an organization 'whose main objects are charitable or are otherwise concerned with the advancement of ... social welfare'. (*National Deposit Friendly Society v. Skegness Urban District Council* (*The Times*, June 26th).) The society therefore cannot claim the benefit of a rating reduction under Section 8 (1) (*a*) of the Rating and Valuation (Miscellaneous Provisions) Act, 1955, in respect of a convalescent home at Skegness occupied by it.

Their lordships were unanimous in holding that the society was not established or conducted for profit. Lord Keith of Avonholm said it might properly be described as a mutual insurance organization to provide benefits for its members in the various mischances that might befall them, and to afford them an opportunity of taking out certain types of insurance. The large sums of interest and rents earned by the society were no doubt profits or gains for the purpose of the Income Tax Acts but that did not make the society a society conducted for profit.

On the second question, Lord Keith said the society could not be said to be for the advancement of social welfare. Its objects were laudable ones and no doubt there was a wide membership drawn from the lower wage-earning classes, but the society was undistinguishable from any other mutual insurance society. Lord Denning, concurring, said that the words 'social welfare' connoted the concept of public benefit. People engaged in improving their own conditions of life were not engaged in 'social welfare'. Each member was concerned with doing good for himself and his family.

Meaning of 'Maintenance'

THE House of Lords (Lord Denning dissenting) have also held that the London Transport Bus Depot at Aldenham, used for the dismantling and reconditioning of the Transport Executive's buses, although a 'factory' is not an 'industrial hereditament' within Section 3 (1) of the Rating and Valuation (Apportionment) Act, 1928. Section 3 (2) of that Act, as amended by Section 69 of the Local Government Act, 1929, 'deems' a place used for the 'maintenance' of the occupier's road vehicles not to form part of a factory.

Lord Morton of Henryton said it was not in dispute that the depot was a factory within Section 149 (1) of the Factory Act, 1901; but the Lands Tribunal found that the activities carried on in it were the maintenance of road vehicles within Section 3 (2) (*b*) of the 1928 Act, and that therefore the depot was not an industrial hereditament within the definition in Section 3 (1) of the same Act. The word 'maintenance' had no technical meaning. Its meaning in this connection had been considered by the House of Lords in *Potteries Electric Traction Ltd v. Bailey* ([1931] A.C. 151). It was clear that in that case Lord Buckmaster had regarded maintenance as including work of repair. In Lord Morton's view it included repairing, overhauling and reconditioning of vehicles, so long as the work did not amount to reconstruction, and so long as no manufacture of new parts was carried out on a scale to which the *de minimis* rule could not be applied. It might often be difficult to draw the line between 'maintenance' and 'reconstruction'. In his lordship's view 'maintenance' and 'overhaul' were not mutually exclusive. He could not find any error of law in the tribunal's decision that the work carried out was maintenance.

Lord Denning, in the course of his dissenting judgment, said no one could doubt that the depot was a factory; it was fully equipped with overhead cranes and machinery of all kinds. Every bus was taken to pieces, every part examined, repaired, reconditioned, or renewed, and parts from different buses were assembled to form a new bus. He viewed with suspicion an interpretation of the statute which led to the result that such a place was not an industrial hereditament. He thought 'maintenance' meant ordinary maintenance – cleaning, oiling, minor adjustments, and running repairs. He did not think the *Potteries Traction* case was sufficiently close to the present case to be applicable. (*The Times*, June 26th.)

Company Winding-up

THE petition by Pena Industries Ltd for its own compulsory winding-up which was adjourned for three weeks (see *The Accountant*, June 14th, 1958) came before Mr Justice Wynn-Parry again on Monday, when the company was ordered to be wound up. It was stated that the proposed scheme was unacceptable to the creditors who now supported the petition.

On the same day the first meeting was held of the creditors of Paragon Holdings Ltd, a company which was ordered to be wound up on the petition of its own subsidiary (see *The Accountant*, May 24th, 1958). Mr F. M. Collins, senior Official Receiver, said the liabilities were £209,217 and the assets were scheduled at £989,950. The company was formed in 1912. In 1957 it sold its rubber plantation in Malaya, and working assets, for £60,666 and ceased business. It then had assets of £86,570 and a paid-up capital of £74,713 and was the subject of a take-over at *2s 6¾d* a share. It then acquired holdings in three concerns: Sunnygama, United Patani and Kuala Muda Rubber, and borrowed money from those companies, which money, said Mr Collins, apparently went to Comcor Ltd, a merchant bank which is now in liquidation under a compulsory winding-up order made on June 19th. The books of Comcor recorded that Pena Industries Ltd and some of its subsidiaries owed Comcor well over £1 million. Mr Collins said he had been informed that the take-over and the operations which followed had been directed by Mr Eli Karlin.

Creditors nominated Mr S. R. Hogg, chartered accountant, as liquidator, together with a committee of inspection.

Finance and Commerce

I.C.F.C.

THIS week's reprint gives the accounts for the year ended March 31st, 1958, of the Industrial and Commercial Finance Corporation Ltd, an organization well known in the profession whose annual general meeting was held in London last Wednesday. Some two-fifths of the business introductions it has received in the thirteen years since it was formed have come from accountants.

The company was formed under the best auspices and with the best intentions: in the words of Lord Piercy, the chairman, 'to provide capital funds for concerns without easy or ready access to the capital market, and particularly firms of small and medium size'. It is a situation that accountants see at first hand: the smaller sized business that could be developed with advantage to the community if only the capital were available.

An instance is given in the I.C.F.C. report, in the case of a company called Norwood Instruments Ltd. When in 1956 I.C.F.C. assisted with finance for the building of a new factory, Norwood was working in old and unsuitable premises in Birkby, near Huddersfield. It moved to a new factory in a small industrial area at Honley and in less cramped conditions has expanded output by more than 40 per cent. The company designs and manufactures models to demonstrate physical and mechanical phenomena such as the impact of jets, the measurement of tension, and the coefficient of friction in a great variation of circumstances, for use by technical colleges and industrial research departments. Some 20 per cent of the output is exported. Since it became interested, the Corporation has also assisted the company with expert advice on cost analysis methods.

Squeezed

Looking back, it might now seem that there was an element of misfortune in the manner in which the Corporation itself is financed, although what might have happened in other circumstances during this period of credit squeeze and stringency can only be a matter for conjecture.

The Corporation's funds are provided by the banks, its shareholders – some eighteen of them. When credit squeezes began in 1951, Lord Piercy says, 'the shareholders felt that there was an inherent contradiction in the Corporation providing capital facilities with the banks' money to their own customers to whom they were not allowed to lend. When

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Report of the Directors

The Directors submit their report for the year to 31 March 1958, together with the audited Balance Sheet at that date and the following Statement of Profit and Loss.

Statement of Profit and Loss	Year to 31 March 1958		*Year to 31 March 1957*	
	£	£	*£*	*£*
Interest, Dividends, Sundry Fees, and Profits on Realisations *less* Provisions for Doubtful Advances and Investments, amounted to		2,686,045		*2,561,029*
After deducting:				
Administration Expenses	206,440		*193,815*	
Directors' Remuneration	10,250		*10,250*	
Provision for Audit Fee	1,050		*1,050*	
Amounts written off Freehold and Leasehold Property, Motor Cars, Furniture and Equipment	10,333	228,073	*7,280*	*212,395*
There remained a Profit, before providing for interest payable and Taxation, of		2,457,972		*2,348,634*
Interest payable on Loan Capital	1,315,808		*1,074,509*	
Together with other Interest	1,501		*2,136*	
required		1,317,309		*1,076,645*
Leaving a Profit for the year, before providing for Taxation, of		1,140,663		*1,271,989*

Report of the Directors (*continued*)

	£	£	*£*	*£*
Forward		1,140,663		*1,271,989*
The estimated charge for Income Tax, based on the profit for the year, was		488,000		*513,000*
The net profit for the year was therefore		652,663		*758,989*
To this must be added the Surplus brought forward from the previous year of		193,705		*150,341*
Making an available balance of		846,368		*909,330*
The Directors have decided to transfer to General Reserve an amount of	500,000		*500,000*	
And they recommend a Dividend of 5% less Income Tax at 8s. 6d. in the £ on the paid up Share Capital of the Company, payable on 11 July 1958, which will absorb	215,625	715,625	*215,625*	*715,625*
Leaving a Surplus to be carried forward of		£130,743		*£193,705*

Under the Articles of Association the Rt. Hon. Lord Piercy, the Rt. Hon. Lord Blackford and Lieutenant-Colonel Lord Dudley Gladstone Gordon retire from the Board, and, being eligible, offer themselves for re-election.

Messrs. Whinney, Smith and Whinney have expressed their willingness to continue in office as auditors.

Registered Office:
7 Drapers' Gardens, London, EC2.
10 June 1958.

By Order of the Board,
H. P. B. COX,
Secretary.

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Balance Sheet as at 31 March 1958

	Authorised £	Called Up £	31 March 1957 £	31 March 1957 £
Share Capital				
15,000 Shares of £1,000 each, £500 per Share paid up	15,000,000	7,500,000	*15,000,000*	*7,500,000*
Loan Capital				
Callable (*a*) by the Board up to the amount of the paid up share capital; (*b*) with the consent of the holders of three quarters of the shares, up to twice the nominal amount of the issued share capital	30,000,000	25,000,000	*30,000,000*	*22,800,000*
	£45,000,000	£32,500,000	*£45,000,000*	*30,300,000*
Revenue Reserves				
General Reserve	3,300,000		*2,800,000*	
Profit and Loss Account—Surplus	130,743	3,430,743	*193,705*	*2,993,705*
		35,930,743		*33,293,705*
Current Liabilities and Provisions				
Provision for Contingencies	200,000		*200,000*	
Creditors and Accrued Charges	406,207		*297,506*	
Proposed Dividend, less Income Tax	215,625	821,832	*215,625*	*713,131*
		£36,752,575		*£34,006,836*

	£	£	31 March 1957 £	31 March 1957 £
Financial Facilities extended to Customers at cost, less Provisions (*See Note 1*)				
Debentures and Secured Loans	13,975,216		*12,465,900*	
Unsecured Loans	6,581,387		*6,720,284*	
Redeemable Preference Shares	6,957,423		*7,078,523*	
Non-Redeemable Preference Shares	3,589,491		*3,734,129*	
Ordinary Shares	3,184,754	34,288,271	*3,110,221*	*33,109,057*
Current Assets				
Money at Call and Short Notice	1,300,000		—	
Balances with Bankers	184,319		*42,813*	
	1,484,319		*42,813*	
Estimated amount of Income Tax recoverable, Interest accrued to date on Debentures and Loans (less Income Tax), Debtors and Prepayments	945,325	2,429,644	*818,220*	*861,033*
Freehold and Leasehold Property, Motor Cars, Furniture and Equipment at cost	94,093		*88,115*	
Less: Depreciation and Amortisation to date	59,433	34,660	*51,369*	*36,746*
Subsidiary Company—I.C.F.C. Trustee Co. Ltd. (*See Note 2*)				
Investment at cost—250,000 Shares of £1 each, 8s. paid	100,000		*100,000*	
Deduct: Advance to this Corporation	100,000	—	*100,000*	—
		£36,752,575		*£34,006,836*

PIERCY }
C. M. SKINNER } Directors.

Notes

1. Financial Facilities extended to Customers

(*a*) **Subsidiary Companies.** Included in the item 'Financial Facilities extended to Customers at cost, less Provisions' is an amount of £787,373 (*1957: £781,646*) representing shareholdings in and advances to certain companies which are technically Subsidiary Companies within the meaning of Section 154 of the Companies Act, 1948. Having regard to the purpose for which these holdings were acquired and to the widely diverse nature of the businesses carried on by the Companies in question, the Board of Trade has exempted the Corporation from compliance with the provisions of Section 150 of the Companies Act, 1948, with respect to the submission of group accounts and from the obligations laid down in paragraph 15 (4) of Part II of the Eighth Schedule to that Act.

(*b*) **Quoted Securities.** Included in the item 'Financial Facilities extended to Customers at cost, less Provisions' are Quoted Securities with a book value of £2,505,687 (*1957: £2,964,453*), of which the value based on the quotations at 31 March, 1958, was £2,792,438 (*1957: £3,490,209*).

(c) **Further Commitments.** At 31 March 1958, the Corporation was under contract to provide further financial facilities totalling £1,086,135 (*1957: £883,000*) and in addition had on offer to applicants subject to acceptance and contract amounts totalling £492,029 (*1957: £222,000*).

2. I.C.F.C. Trustee Co. Ltd. This Company is a wholly owned Subsidiary Company which has made neither profit nor loss since its incorporation. As its only asset is the advance to the Corporation of £100,000, the Directors are of the opinion that no useful purpose would be served by submitting group accounts of the Corporation and this Subsidiary.

Report of the Auditors to the Members of Industrial and Commercial Finance Corporation Limited

We have audited the above Balance Sheet and the Statement of Profit and Loss incorporated in the annexed report of the Directors, and have obtained all the information and explanations which we considered necessary.

In our opinion proper books have been kept by the Corporation and proper returns received from branch offices. The Balance Sheet and Statement of Profit and Loss which are in agreement with the books, comply with the requirements of the Companies Act 1948, and with the notes thereon give respectively a true and fair view of the state of the Corporation's affairs at 31 March 1958 and of the profit for the year ended on that date.

WHINNEY, SMITH AND WHINNEY
Chartered Accountants,
Auditors.

4b Frederick's Place, Old Jewry, London EC2.
10 June 1958.

the screw next took a severe turn in 1955, a situation was created in which the Corporation felt obliged to withdraw from more than £1 million of business, and for part of that year it could do no lending.

'Since September 19th, 1957 [when Bank rate was raised to 7 per cent], the supply of shareholders' funds, whether in the form of loan capital or calls on shares, has substantially dried up. These facts', says Lord Piercy, 'can be stated without criticism or animadversion: reasons for the policy followed have commended themselves to the shareholding banks at each stage'.

Smaller Volume

'The considerations which would rule this matter in a state of severe restriction of bank credit were hardly seen before 1951 and had become less obtrusive in the temporary ease of 1953. Had it been otherwise', says Lord Piercy, 'the proposal which was made and considered at the end of 1953 and the beginning of 1954 that the Corporation should itself go to the market for some of its funds, would not perhaps have been put aside in favour of a preference for the banks, in principle, finding all the money for I.C.F.C.

'On the other hand, the Corporation has drawn down £5½ million from the shareholders in the last four years. This amount, together with recoveries and retained profits, has constituted the funds available for customers; and they have been fully used. New moneys advanced or invested have amounted to £18,700,000 including about £1,300,000 temporarily held against commitments at March 31st, 1958. The general effect, however, is that in these years, the Corporation has subsisted very largely on its annual flow of recoveries and has extended on the average year by year a much smaller volume of facilities than would have been appropriate to contemporary public policies.

'It seems right', says Lord Piercy, 'to record these facts in order to correct misinterpretation of the trend of the I.C.F.C.'s recent figures.'

Businesses Handicapped

Like so many measures of a general kind, the incidence upon the various parts of the economy of the recent phases of credit restriction has been uneven and, as Lord Piercy says, so far as concerns the checking of ability to invest, it has fallen most heavily on those sectors of the economy which have no access to the new issue market. Even so, he adds, there is also the fact that the new issue market has been too preoccupied with industrial issues of an unprecedentedly large size to be a favourable means of raising money for the smaller type of public company. In the earlier stages of the credit squeeze, it may be pointed out, many of these issues were in large measure to provide for repayment of bank advances.

It must be hoped in due course that the situation will right itself, that inflation will be halted, that currency crises will be overcome, and that once again credit will flow to those points in the economy where it is needed and can fructify.

But for the moment it looks as if the Corporation is back, not quite to where it came in – its £34 millions of financial facilities extended to customers show that – but to a generally similar situation. Business deserving of capital can receive the blessing of the Capital Issues Committee and pass the examination of the I.C.F.C.'s investigators, but because they are not 'big business', they are handicapped. And that is just the very thing the Corporation was formed to overcome.

Next Week's Reprint

The accounts of London & Overseas Freighters Ltd will provide our reprint in next week's issue.

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Abridged summary of Trading results for twelve years and six months to March 1958

		Profit/ *Loss* before Interest and Tax £	Interest paid £	Net Profit/ *Loss* £	Tax £	Dividend £	Profit Retained £
Year to September,	1946	*13,727*		*13,727*			*13,727* (Dr.)
,,	1947	*50,895*	19,344	*70,239*			*70,239* (Dr.)
18 months to March,	1949	197,194	138,782	58,412			58,412
Year to March	1950	504,562	143,931	360,631	154,258		206,373
,,	1951	777,145	196,480	580,665	219,468		361,197
,,	1952	1,091,938	337,097	754,841	366,809		388,032
,,	1953	1,341,127	450,146	800,981	383,050	165,000	252,931
,,	1954	1,481,237	627,151	854,086	387,594	206,250	260,242
,,	1955	1,976,504	676,364	1,291,140	572,285	215,625	503,230
,,	1956	2,276,664	890,849	1,385,815	590,000	215,625	580,190
,,	1957	2,348,634	1,076,645	1,271,989	513,000	215,625	543,364
,,	1958	2,457,972	1,317,309	1,140,663	488,000	215,625	437,038
							3,507,043
Less Preliminary Expenses written off							76,300
							3.430,743

INDUSTRIAL AND COMMERCIAL FINANCE CORPORATION LIMITED

Table I. Distribution of Financial Facilities by Regions

Region	Outstanding at 31 March 1957		Changes during year to 31 March 1958		Outstanding at 31 March 1958	
	Amount £'000	% of the Whole	+ £'000	— £'000	Amount £'000	% of the Whole
Development Areas:						
Northern	653·3	*2·0*		107·9	545·4	*1·6*
Wales	614·3	*1·8*	31·0		645·3	*1·9*
West Cumberland	100·0	*0·3*		10·0	90·0	*0·3*
South Lancashire	363·0	*1·1*		22·5	340·5	*1·0*
Merseyside	529·7	*1·6*	21·8		551·5	*1·6*
Scotland	1,115·3	*3·4*	129·3		1,244·6	*3·6*
	3,375·6	*10·2*	+41·7		3,417·3	*10·0*
Northern*	42·5	*0·1*	1·2		43·7	*0·1*
East and West Riding	2,733·4	*8·3*	209·7		2,943·1	*8·6*
North Midland	2,262·5	*6·8*		118·7	2,143·8	*6·3*
Eastern	601·8	*1·8*	137·9		739·7	*2·1*
London	12,637·5	*38·2*	261·8		12,899·3	*37·6*
Southern	1,453·1	*4·4*		53·5	1,399·6	*4·1*
Western	304·0	*0·9*		13·9	290·1	*0·8*
Wales*	7·5	—		2·1	5·4	—
Midland	4,714·9	*14·2*	530·4		5,245·3	*15·3*
North Western*	3,461·4	*10·5*		5·5	3,455·9	*10·1*
Scotland*	802·4	2·4	194·7		997·1	2·9
South Eastern	712·5	2·2		4·5	708·0	2·1
	33,109·1	*100·0*	+1,179·2		34,288·3	*100·0*

* Excluding Development Areas

Table II. Classification of Financial Facilities by Industries

Industry	Outstanding at 31 March 1957		Changes during year to 31 March 1958		Outstanding at 31 March 1958	
	Amount £'000	% of the Whole	+ £'000	— £'000	Amount £'000	% of the Whole
Mechanical Engineering:						
Agricultural Machinery	837·4	2·5		25·7	811·7	2·4
Machine Tools	873·5	2·6	20·8		894·3	2·6
Office Machinery	173·2	*0·5*	7·5		180·7	*0·5*
Prime Movers	558·7	*1·7*		29·7	529·0	*1·5*
Printing Machinery	56·1	*0·2*	37·9		94·0	*0·3*
Textile Machinery	144·3	*0·4*		15·0	129·3	*0·4*
Cranes, Hoists and Winches	247·2	*0·8*	89·2		336·4	*1·0*
Food Machinery	10·3	—		1·4	8·9	—
Pumps	506·2	*1·5*		19·0	487·2	*1·4*
All Other	2,625·9	*8·0*	298·5		2,924·4	*8·5*
	6,032·8	*18·2*			6,395·9	18·6
Electrical Engineering	1,645·3	*5·0*		86·1	1,559·2	4·6
All Engineering	7,678·1	23·2	+277·0		7,955·1	23·2
Agricultural and Forestry	225·3	0·6	7·3		232·6	0·7
Mining and Quarrying	87·1	*0·3*		5·3	81·8	0·2
Fishing	40·0	*0·1*		20·7	19·3	—
Cement, Lime, etc.	159·0	0·5		8·3	150·7	0·4
Bricks, Tiles, Pipes	300·9	*1·0*		20·8	280·1	0·8
Pottery and Earthenware	403·0	*1·2*		43·4	359·6	*1·0*
Glass	100·0	*0·3*			100·0	*0·3*
Chemicals	1,634·8	4·9		67·4	1,567·4	4·6
Paint, Colour, Varnish	45·3	*0·2*			45·3	*0·1*
Iron and Steel	615·8	*1·9*	179·1		794·9	2·3
Non-Ferrous Metals	1,519·4	4·6	133·3		1,652·7	4·8
Vehicles	1,218·2	3·7	49·0		1,267·2	3·7
Shipbuilding	335·2	*1·0*		42·3	292·9	0·9
Ironfounding	274·1	*0·8*	37·1		311·2	0·9
Hand Tools	466·2	*1·4*	128·7		594·9	*1·7*
Bolts, Nuts, etc.	54·0	*0·2*	35·6		89·6	*0·3*
Hardware, etc.	360·7	*1·1*	13·8		374·5	*1·1*
Watches, Plate, Jewellery	6·4	—		3·1	3·3	—
Other Metal Industries	1,080·1	3·3		59·0	1,021·1	3·0
Textiles	3,602·2	*10·9*		111·7	3,490·5	*10·2*
Leather	90·6	*0·3*		1·6	89·0	*0·3*
Clothing	993·3	*3·0*	24·2		1,017·5	*3·0*
Footwear	334·1	*1·0*		14·2	319·9	*0·9*
Food, Drink Tobacco	2,024·0	*6·1*		83·9	1,940·1	*5·7*
Woodwork	655·0	*1·9*	33·0		688·0	*2·0*
Building, etc.	1,258·4	*3·8*	200·7		1,459·1	*4·3*
Paper Manufacture	491·2	*1·5*	7·6		498·8	*1·5*
Printing, Publishing	1,384·4	*4·2*	88·6		1,473·0	*4·3*
Rubber Manufacture	96·8	*0·3*		1·6	95·2	*0·3*
Plastics	250·0	*0·8*	58·1		308·1	*0·9*
Scientific Instruments	1,014·6	*3·1*		42·5	972·1	*2·8*
Other Non-Metal Industries	34·3	*0·1*		2·5	31·8	*0·1*
Transport	740·3	*2·2*	58·3		798·6	*2·3*
Distribution	2,124·1	*6·4*	340·1		2,464·2	*7·2*
Hotel and Catering	128·0	*0·4*		12·0	116·0	*0·3*
Laundering, Dyeing, etc.	130·0	*0·4*		4·3	125·7	*0·4*
Other Services	1,154·2	*3·3*	52·3		1,206·5	*3·5*
	33,109·1	*100·0*	+1,179·2		34,288·3	*100·0*

CITY NOTES

HEAVY calls for new capital continue to dominate the stock-markets. A £2 million 'rights' offer by Renold Chains and a £5 million debenture offer by the Albert E. Reed paper group are two of the new industrial issues to be announced recently.

The recent spate of new share offers and placings has received strong support and the demand for existing securities in the market has suffered to some extent as a result. Competition from new issues, however, is not the only reason for uncertain markets.

The Chancellor has made it clear that the Government is to hasten slowly so far as re-expansion plans for the economy are concerned and the market seems shy of trying to discount re-expansion potential too far ahead.

While markets may be uncertain there is no marked falling away in prices. In fact, any fall in quotations serves to bring in a reasonable amount of selective demand in the industrial equity section.

At the moment, however, there is a noticeable lack of real incentive to undertake a positive approach to the markets and this is particularly so in the gilt-edged section where stagnation appears to have set in now that the anticipated Bank rate reduction to 5 per cent has been seen. This was reflected in the failure of the Liverpool loan where underwriters were left with 82 per cent of the offer.

New Corporation borrowers are likely to find the market going rather on the heavy side unless they are prepared to pitch their new loan terms attractively.

RATES AND PRICES

Closing prices, Wednesday, July 2nd, 1958

Bank Rate

Jan. 27, 1955	3½%	Sept. 19, 1957	7%
Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%

Treasury Bills

April 25	£5 3*s* 6·97*d*%	May 30	£4 16*s* 3·84*d*%
May 2	£5 1*s* 1·93*d*%	June 6	£4 14*s* 5·72*d*%
May 9	£5 3*s* 10·81*d*%	June 13	£4 10*d* 1·77*d*%
May 16	£5 3*s* 11·49*d*%	June 20	£4 5*s* 9·63*d*%
May 23	£4 16*s* 5·96*d*%	June 27	£4 5*s* 10·67*d*%

Money Rates

Day to day	3–3⅞%	*Bank Bills*	
7 days	3¾–4%	2 months	4⅜–4 7/16%
Fine Trade Bills		3 months	4⅜–4 7/16%
3 months	5–5¼%	4 months	4⅜–4 7/16%
4 months	5–5¼%	6 months	4⅜–4½%
6 months	5¼–6%		

Foreign Exchanges

New York	2·80 5/16–⅜	Frankfurt	11·67⅞–·68⅛
Montreal	2·68 13/16–⅞	Milan	1738¾–9
Amsterdam	10·57⅛–¼	Oslo	20·00½–¾
Brussels	139·25–·30	Paris	1173¾–4¼
Copenhagen	19·33⅝–⅞	Zurich	12·21⅛–⅜

Gilt-edged

Consols 2½%	50¼x.d.	Funding 4% 60–90	87½
Consols 4%	73½x.d.	Savings 2½% 64–67	81 9/16
War Loan 3½%	66¾	Savings 3% 55–65	89⅝
Conversion 3½%	66 13/16	Savings 3% 60–70	78¾
Conversion 3½% 1969	86⅝	Savings 3% 65–75	73⅜
Exchequer 5½% 1966	103⅛	Treasury 2½%	49½
Funding 3% 66–68	81 15/16	Treasury 3½% 77–80	75¾
Funding 3% 59–69	81 3/16	Treasury 3½% 79–81	76⅛
F'nding 3½% 99–04	71 11/16x.d.	Victory 4%	94

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

B.U.P.A. Accountants' Group

SIR, – Readers may be interested to note that the British United Provident Association Accountants' Group (which was the subject of a letter in your issue of June 15th, 1957), has now been operating for three years.

B.U.P.A. is a nation-wide non-profit association, under the presidency of the Rt. Hon. Viscount Nuffield, G.B.E., F.R.S., and was formed in 1947 by the amalgamation of a number of provident associations, some of which had already been in existence for many years. The object of the Association is to shield its subscribers and their families against heavy expenses arising from surgical operations and other specialist treatment, as a result of either illness or accident.

The Association has no shareholders, and the Governors give their services without fee or remuneration of any kind.

The Accountants' Group enables subscribers in the United Kingdom to obtain the benefits of membership on terms well below those available to individual subscribers to the Association. Membership of the Group is open to most accountants in practice or in employment, as well as to all grades of staff employed by practising qualified accountants.

Further details of the Association and of the Group will gladly be sent to anyone who may care to write to us.

Yours faithfully,
ROSE, GLUCK & CO,
Hon. Group Organizers,
B.U.P.A. ACCOUNTANTS' GROUP.

14 Queen Victoria Street,
London, EC4.

Harrods (B.A.) Again

SIR, – I have read with the greatest interest the references in your columns to the affairs of Harrods (Buenos Aires) Ltd and its subsidiaries (April 26th and May 3rd issues) and as the largest minority shareholder I would like to put forward my point of view.

In my opinion there is something wrong with the Companies Act, 1948, if this kind of operation can be carried through. I think it is grossly unfair as the parent company, Harrods (B.A.), through two 100 per cent owned subsidiary companies, have fixed a price for the shares without any reference to, or agreement with, the minority shareholders, who are in many cases ex-employees of the company who have left on account of old age.

The business is now 75 years old, and the fixed assets are written down to very low values. Freehold properties have gone sky-high here due to inflation, and I know that today's value of the shares is many times more than the nominal value.

The secretary of the company, in his letter to you, refers to the difficulties of getting in touch with the holders of the 'bearer' shareholders, but in this connection I would like to state that very much more could have been done in this country. The share warrants are printed in Spanish and English which recognizes that a number of shareholders do not understand the English language; but, to my knowledge, no notices have appeared in the Argentine or English newspapers here relating to the offer of February 21st last, and worse still of the notice of April 14th last to the non-assenting shareholders, although they had only thirty days to appeal to the English Courts. If English law does not make this compulsory I still think that as a matter of courtesy, notices should have been published in this country for the benefit of the ex-employees and others who are, in the majority of cases, not only shareholders but clients of the company in this city, or in the branches in the provinces.

Yours faithfully,
S. SUMMERS.
Buenos Aires. A.S.A.A., F.C.I.S., F.C.W.A.

Building Societies

SIR, – Section 5 (3) of the Building Societies Act, 1894, reads as follows:

> 'An Inspector appointed under this section may require the production of all or any of the books, accounts, securities, and documents of the society, and may examine on oath its officers, members, agents, and servants in relation to its business, and may administer an oath accordingly.'

Section 16 (6) of the Building Societies Act, 1874, states that the rules of every society shall set forth

> 'the manner of appointing, remunerating, and removing the board of directors or committee of management, auditors and other officers'.

The opinion of readers would be welcomed on the following points:

(1) Where a firm of accountants is acting for a building society in the capacity of accountants and auditors, do they fall within the classes of persons who may be examined on oath by an Inspector in accordance with the subsection first quoted? In particular, is an auditor an officer of a building society, for the purposes of that subsection?

(2) Where the firm of accountants have prepared a copy of draft accounts and have forwarded such copy to the building society, without reservation as to the use to which such copy document may be put, is such copy an 'account' or 'document' of the society, within the meaning of the same subsection?

Yours faithfully,
MORSLIP.

Decimal Coinage

SIR, – May I suggest that the simplest method of bringing in a decimal coinage, in place of *£ s d*, would be to take the *2s* piece, one florin, as the basis for conversion as follows:

Florins	*Cents*	*£*	*s*	*d*
10	—	1	0	0
5	—		10	0
1	—		2	0
—	50		1	0
—	25			6
—	10			2
—	5			1

Do away entirely with the half-crown, threepenny-piece, halfpenny and farthing.

Yours faithfully,
Singapore. W. M. EDWARDS.

Accounting for Music

SIR, – By way of criticism of a recital recently given by Yehudi Menuhin and his sister Hephzibah Menuhin, the music correspondent of a leading national newspaper wrote:

> 'Their recital posed a problem best seen in the red and black terms of book-keeping. On the credit side was the marvellous sympathy that existed between this brother and sister duo.
>
> 'Yet glaring on the red liability page was the gap between them in musical stature. Hephzibah – a fine pianist for all that – did not show up as an artist of the glowingly-toned Yehudi's calibre.
>
> 'Adding up the sheet, I allowed a fat credit balance to their eloquent performance of the emotionally-charged César Franck sonata. But in the Beethoven and a Mozart sonata I thought they were perilously near the red.'

Furthermore, there would seem to have been a substantial difference on the trial balance.

Yours faithfully,
PATRICK EDGE-PARTINGTON.
London, W1.

11.066

New Legislation

All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(6 & 7 Eliz. 2)

Chapter 24: Land Drainage (Scotland) Act, 1958

An Act to make provision with respect to the drainage of agricultural land in Scotland and for purposes connected therewith.

Price 1s 3d net. *May 14th, 1958.*

Chapter 25: Christmas Island Act, 1958

An Act to enable Her Majesty to place Christmas Island under the Authority of the Commonwealth of Australia, and for purposes connected therewith.

Price 3d net. *May 14th, 1958.*

Chapter 26: House of Commons (Redistribution of Seats) Act, 1958

An Act to amend the House of Commons (Redistribution of Seats) Act, 1949.

Price 6d net. *May 14th, 1958.*

STATUTORY INSTRUMENTS

The Companies Liquidation Account (Interest) Order, 1958
(S.I. 1958 No. 932)

Companies Act, 1948, Section 362 (4), provides that, when the balance at the credit of any company's account in the hands of the Board of Trade exceeds £2,000, and the liquidator gives notice to the Board that the excess is not required for the purposes of the liquidation, the company shall be entitled to interest on the excess at the rate of 2 per cent per annum or such other rate as may for the time being be prescribed by order of the Treasury.

This Order prescribes a rate of 3½ per cent per annum in place of 2½ per cent per annum prescribed by the Companies Liquidation Account (Interest) Order, 1955.

Price 2d net. *June 12th, 1958.*

The Exchange Control (Authorized Depositaries) (Amendment) Order, 1958
(S.I. 1958 No. 534)

This Order amends the list of Authorized Depositaries, with whom, under the Exchange Control Act, 1947, certain securities are required to be deposited.

Price 3d net. *April 1st, 1958.*

The Exchange Control (Authorized Dealers) (Amendment) Order, 1958
(S.I. 1958 No. 533)

This Order amends the list of banks and other persons authorized under the Exchange Control Act, 1947, to deal in gold and foreign currency.

Price 3d net. *April 1st, 1958.*

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Membership

Membership of the London Students' Society is now well over 6,000. This includes 750 members who have joined as a result of integration and who were formerly studying for the Incorporated examinations. There are probably 2,500 such members who have still to complete registration with the Institute.

Summer Dance

Over 300 members and their guests attended the dance at Taggs Island, on Friday, June 6th. First reports show that the dance was well enjoyed and was a success.

Publication of Lectures

The Committee have considered the suggestion that lectures be recorded and published by the Society but have come to the conclusion that it is not practicable. Apart from the massive costs of printing and circulating about seventeen different lectures a year to a membership which will probably soon exceed seven thousand, the types of lectures do not lend themselves to being printed.

The lecturers are encouraged to speak freely from notes and it would be extremely difficult to get some of them to agree a draft, let alone to publication. Some would probably refuse to lecture if they had to prepare a script, or, under the shadow of publication, would restrict their scope and eliminate the more practical and controversial parts of their lectures. Finally, publication could defeat its own ends in the long run as it might affect attendances at the lecture and so lead to a lowering in the quality of speakers we are able to get at present.

Comparison with the Incorporated Accountants' Students' Society may be inaccurate as they were required by their rules to publish their lectures; it is not clear what was the real demand or the usefulness of this. Further, the lectures were, in general, standard tutorial lectures which made it very much easier to agree the drafts and distribute the printed lectures within a reasonable time.

Halls for General Lectures

It has been found increasingly difficult to find a suitable hall for a series of general lectures. For 1959, the committee have managed to book the York Hall at Caxton Hall, Westminster. The Oak Hall of the Institute is not available because of integration work.

Sports

During the recent month, the Students' Society were successful in beating the Old Paulines at squash, and drew with the South Wales Students' Society at cricket.

In Parliament

Estate Duty: Valuation of Land

Captain Corfield asked the Chancellor of the Exchequer whether he will introduce legislation to place the valuation of land for the purposes of estate duty on the same basis as that adopted for the valuation of land for the purpose of compensation where land is acquired by Government Departments or local authorities under compulsory powers.

The Financial Secretary to the Treasury (Mr J. E. S. Simon): No, sir.

Captain Corfield: Am I to take it from my hon. and learned friend's answer that he is satisfied with the basis of valuation for estate duty purposes? If so, does not it follow that the basis of valuation for compensation is highly unsatisfactory and urgently needs revision? May I further ask him whether, and in what way, any recognition of the unfairness of compensation is made in relation to estate duty where compulsory acquisition closely follows inheritance?

Mr Simon: The answer to the first part of my hon. and gallant friend's supplementary questions is, 'Yes, I am satisfied that the basis of valuation here is fair.' As for the second part, my hon. and gallant friend has a Bill pending before the House at this moment, and it would not be appropriate for me to comment upon it. As for the third part, there is a provision in the law whereby, if property which has borne estate duty is compulsorily acquired within five years of the date on which the duty was paid, the value for estate duty purposes is reduced to the amount of the compensation.

Hansard, June 12th, 1958. Oral Answers. Col. 406.

Profits Tax

Mr H. Fraser asked the Chancellor of the Exchequer what the cost to the revenue would be of raising the profits tax exemption limit from £2,000 to £5,000 and £10,000, respectively, and secondly raising the abatement to one-third of the difference between £5,000 and £20,000 and between £10,000 and £25,000, respectively.

Mr Simon: £3½ million, £14 million, £7½ million and £4½ million, respectively, in a full year. The last cost would be £9 million if the abatement for profit between £10,000 and £25,000 were equal to two-thirds of the difference between £25,000 and the profit, thus fitting the abatement to the suggested exemption limit of £10,000.

Hansard, June 20th, 1958. Written Answers. Col. 110.

Income Tax: Schedule A

Sir F. Medlicott asked the Chancellor of the Exchequer what proposals he has under consideration for the abolition or modification of Schedule A tax; and if he will make a statement.

Mr Simon: I have no statement to make on this subject, but we may have an opportunity to discuss some aspects of it next week.

Sir F. Medlicott: Is my hon. and learned friend aware that the collection and payment of this tax, often in quite small amounts, imposes a great burden upon taxpayers and their advisers and the Inland Revenue? Taking into account the cost of collection, is not it a fact that the net revenue could quite well be dispensed with?

Mr Simon: No, sir. It is true that the collection of any tax puts a burden on the taxpayer and, to some extent, on the Revenue. Nevertheless, the receipts from this tax certainly far outweigh the cost of collection.

Mr Wade: Quite apart from the complexities of the task, will the Minister take into account that the owner-occupier of a house is allowed no depreciation allowance, as opposed to a maintenance allowance, and, therefore, is at a disadvantage compared with many taxpayers who gain considerably from depreciation allowances on various assets?

Mr Simon: This is a complex problem which was examined exhaustively by the Royal Commission. It would be wrong to isolate any single factor.

Hansard, June 26th, 1958. Oral Answers. Col. 595.

Metric System

Mr Gresham Cooke asked the Chancellor of the Exchequer whether he will arrange for the Organization and Methods Department of the Treasury to make an estimate of the savings which would be effected if the metric system were introduced for all Government work; and whether he will arrange for this to be done before a final decision is taken about the recommendations of the Hodgson Committee on weights and measures.

Mr Simon: No, sir. This would involve disproportionate trouble and expense.

Mr Gresham Cooke: Would not it give a lead to the nation if the Government could give a practical demonstration of the financial saving that would accrue by the adoption of the metric system, particularly in weights and measures, based on the Hodgson Report, which is now five or more years old? Will my hon. and learned friend bear in mind that all the mechanical computers which are now coming into use in Government offices as well as in private industry work only to their fullest advantage on the metric and decimal system?

Mr Simon: The British Association for the Advancement of Science last month set up a committee to examine this problem under the chairmanship of Sir Hugh Beaver. Probably it would be wise to await the result of that examination.

Hansard, June 26th, 1958. Oral Answers. Col. 595.

Electronic Equipment: Government Offices

Sir I. Fraser asked the Chancellor of the Exchequer what use is made of electronic computers and similar devices to economize in the use of man-power in the public service.

Mr Simon: Consideration is given to the use of computers and similar equipment in the Civil Service wherever economies of money and staff would thereby be achieved. At present four Government offices have been equipped with computers and orders have been placed for equipment for a further four. Studies of the possible use of computers in five more offices have almost been completed.

Hansard, June 26th, 1958. Oral Answers. Col. 592.

Notes and Notices

THE ACCOUNTANT

INDEX TO VOL. CXXXVIII: JANUARY–JUNE 1958

The general index to this volume – January to June 1958, Vol. CXXXVIII – is published with the present issue. The parts of the volume, with the index, can now be sent for binding.

PERSONAL

MR F. R. PORTER, F.C.A., A.C.W.A., and Mr D. W. T. BRUCE, F.C.A., announce that the partnership subsisting between them under the style of PORTER, BRUCE & Co, Chartered Accountants, was dissolved by mutual consent on June 30th, 1958. As from July 1st, 1958, Mr F. R. PORTER will practice on his own account under the style of PORTER & Co, at 26 Charing Cross Road, WC2, and Mr D. W. T. BRUCE will practice on his own account at 69 George Street, W1.

MESSRS PRICE WATERHOUSE & Co announce that Mr ANDREW KEITH AIKMAN, A.C.A., has been admitted to partnership in their European firm as from July 1st, 1958, and will be resident in Brussels.

MESSRS R. G. KIRKPATRICK & Co, Chartered Accountants, of Moorgate Hall, Moorgate, London, EC2, announce that they have admitted into partnership Mr D. G. WILLIAMS, A.C.A., who has been associated with the firm for a number of years. The name of the firm remains unchanged.

MESSRS CURTIS, JENKINS, CORNWELL & Co, Chartered Accountants, of 44 Corn Street, Bristol, 1, announce that they have admitted into partnership as from July 1st, 1958, Mr ALFRED SHAW, A.C.A., who has been a member of their staff for the past twenty years.

MESSRS MELLORS, BASDEN & MELLORS, Chartered Accountants, of 1 King John's Chambers, Bridlesmith Gate, Nottingham, announce that as from July 1st, 1958, they have admitted into partnership Mr BRIAN EDWARD BASDEN, A.C.A., who has been connected with the firm for a number of years. The style of the firm will remain unchanged.

MESSRS MAIDMENT, PENNEY, QUICK & Co, Chartered Accountants, of 6 Chandos Street, London, W1, announce that as from July 1st, 1958, Mr COLIN BARRY EDWARDS, A.C.A., has been admitted a partner in the firm. Mr EDWARDS served his articles with the firm and has been with them since qualifying.

MESSRS GRAINGER, BONN & Co, Chartered Accountants, of 73–74 Marylebone High Street, London, W1, announce that Mr S. L. ISAACS, A.C.A., has been admitted into partnership. The firm name is unchanged.

MESSRS DE PAULA, TURNER, LAKE & Co, Chartered Accountants, of 17 Coleman Street, London, EC2, announce that they have admitted into partnership Mr M. P. DAGNELL, A.C.A., who has been a member of their staff for a number of years. The name of the firm will remain unchanged.

MESSRS JAMES, EDWARDS & Co, Chartered Accountants, of Salisbury House, London Wall, EC2, announce that as from July 1st, 1958, they have admitted to partnership Mr BRYAN POPE, A.C.A., who has for several years been a member of their staff.

MESSRS NEWTON, ARMSTRONG & Co, Chartered Accountants, of 33 Lawrence Lane, London, EC2, announce that the present partners, Mr C. J. MASON, F.C.A. (also of Messrs NEWTON & Co, Chartered Accountants, of Birmingham), and Mr P. LIVINGSTONE ARMSTRONG, F.C.A., are being joined in partnership by Mr S. BAYLISS SMITH, F.C.A. (also of Messrs CASSLETON ELLIOTT & Co, Chartered Accountants), Mr GRAHAM L. FOX, T.D., D.L., F.C.A. (also of Messrs FOX, HOARE, HARRIS & TURNBULL, Chartered Accountants), Mr J. O. ELPHICK, F.C.A. (also of Messrs GANE, JACKSON, JEFFERYS & FREEMAN, Chartered Accountants), and Mr H. T. EASDALE, M.A., A.C.A. (also of Messrs TURNER, EASDALE & Co, Chartered Accountants). The practice is otherwise continuing unchanged.

MESSRS LUXON, WEST & Co, Chartered Accountants, of 2 Wedgwood Villas, Ford Park, Mutley Plain, Plymouth, announce with deep regret the death on June 24th, 1958, of their senior partner, Mr FREDERIC WEST, A.C.A., who was in active practise up to the day of his death at the age of 81. Mr WEST qualified in 1898, and must have been one of the oldest practising accountants.

MESSRS THORNE, LANCASTER & Co, Chartered Accountants, of 1 Drapers' Gardens, Throgmorton Avenue, London, EC2, announce that Mr DERMOT ALKER TRIPP, F.C.A., retired from the partnership on June 30th, 1958, to take up a directorship with S. H. BENSON LTD. The practice is being carried on in the same name and at the same address by the remaining partners.

MESSRS JENNINGS & Co, Chartered Accountants, of Adam House, 1 Fitzroy Square, London, W1, announce that they have acquired the practice of LESLIE D. CLARKE, F.C.A., of 201 Hoe Street, Walthamstow, E17, which will be continued from that address under the style of JENNINGS CLARKE & Co as from July 1st, 1958.

PROFESSIONAL NOTES

Mr Dermot A. Tripp, F.C.A., has been appointed a director of S. H. Benson Ltd.

Mr Frank Charlton, F.C.A., has been appointed chairman of the management committee of the Merchant Navy Officers' Pension Fund.

Mr K. G. Butcher, A.C.A., director and secretary of Tozer Kemsley & Millbourn Ltd and assistant secretary of Tozer Kemsley & Millbourn (Holdings) Ltd, has been appointed secretary of the latter company as from July 1st, 1958.

Mr J. D. Nuttall, A.C.A., director and secretary of the former Triplex Safety Glass Co Ltd, which has changed its name to Triplex Holdings Ltd, has been appointed financial director of the new company. Mr E. S. Stowe, A.C.A., has been appointed secretary of Triplex Holdings Ltd and Mr C. N. Newton, A.C.A., has been appointed secretary of the new Triplex Safety Glass Co Ltd, having formerly been secretary of Triplex (Northern) Ltd, which has changed its name to Triplex Safety Glass Co Ltd.

Mr Robert Anthony Barrett, A.C.A., group accountant of Triplex Foundry Ltd, has been appointed a director of the company.

Mr N. M. Barrow C.A. has been appointed a director of The British Plaster Board (Holdings) Ltd.

Mr Thomas Brown, A.C.A., has been appointed chairman and managing director of The Crown Cork Co Ltd.

Mr G. H. Gunson, C.A., has been appointed a director of the British Sugar Corporation Ltd, as from June 23rd, 1958.

Mr D. G. McCance, C.A., has been appointed secretary of John Allan & Co (Glenpark) Ltd.

Mr Alexander Meikle, C.A., has been appointed chairman of the Council of the Building Societies Association.

Mr N. E. Hannan, A.I.M.T.A., Deputy Borough Treasurer of Barnsley, has been appointed Borough Treasurer of Romford, Essex.

THE BRITAIN IN EUROPE COMMITTEE

Mr Lawrence W. Robson, F.C.A., F.C.W.A., a member of the Council of The Institute of Chartered Accountants in England and Wales has been appointed chairman of the executive committee of The Britain in Europe Committee.

Formed by leading figures from all sides of industry, finance and commerce to stimulate interest in Britain's participation in the proposed European free trade area, the main function of The Britain in Europe Committee will be to undertake or sponsor original research on European economic integration and to make known the results. The committee, which is incorporated as a company limited by guarantee, will also initiate and support lectures and meetings.

The hon. secretary of the committee, which has offices at 61 Catherine Place, Palace Street, London, SW1, is Mr E. G. Thompson.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Chartered Accountants' Golfing Society won a match at Woking Golf Club on June 17th, against a team representing The Institute of Municipal Treasurers and Accountants. Foursomes were played in the morning and afternoon and the result was a win for the Chartered Accountants by 6 matches to 4.

The individual results (Chartered Accountants' names first) were:

Morning	
W. G. Price and H. C. Staines beat G. C. Jones and A. B. Ridley	3 and 2
W. B. Henderson and J. B. Pittman beat T. Shaw and E. J. D. Lloyd	3 and 2
J. Phillips and H. Lemmon beat H. Harrison and D. H. Crisp	9 and 8
C. I. Steen and A. N. Other beat H. A. Loe and W. Bentley	1 up
D. V. House and Sir R. Yeabsley lost to H. Keeling and J. W. Hough	1 down
Afternoon	
Price and Pittman lost to Lloyd and Cage ..	1 down
Phillips and Henderson beat Crisp and Jones	1 up
Steen and Other beat Harrison and Loe ..	6 and 5
Lemmon and Staines lost to Ridley and Shaw	2 down
Yeabsley and House lost to Keeling and Hough	4 down

DINNER IN GUILDHALL

A dinner is being held by The Institute of Cost and Works Accountants in Guildhall, London, on Friday, October 24th at 7 for 7.30 p.m. Attendance will be limited to members and registered students who are invited to bring male guests.

Applications for tickets, which cost three guineas, should be made to the Joint Secretary of the Institute at 63 Portland Place, London, W1.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 6 p.m., on Monday next, July 7th, in the vestry at St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be the miracle of the cure of the deformed woman. (Luke XIII. 10–17).)

INTERNATIONAL FISCAL ASSOCIATION

United Kingdom Branch

The report for 1957–58 of the United Kingdom Branch of the International Fiscal Association states that a number of new members were enrolled during the year, giving a very satisfactory increase in membership.

Mr C. D. Hellyar, F.C.A., was appointed as the United Kingdom representative on the Permanent Scientific Committee of the Association and prepared a report for the committee on the changes in United Kingdom taxation during the year ended February 28th, 1958, including lists of double taxation conventions, publications and Court decisions.

Annual Congress 1957

The general consensus of opinion of those United Kingdom members who attended the annual congress held at Vienna in 1957 was that it was more successful than its predecessors from the business point of view. Mr Bresch and Mr Hellyar acted as chairmen of English-speaking sessions.

Procedure at the congress still left room for improvement and these matters were discussed at a branch meeting, following which a memorandum commenting on congress arrangements was sent to the Executive Committee in Holland. Briefly, the branch thought that subjects should be discussed in three language groups, a bi-lingual member of each group keeping in touch with the course of discussion in the other groups and that draft resolutions should be circulated before the meetings. Other points made were the question of a single numerically strong branch attempting to override the views of several numerically weaker branches, the possibility of widening the choice of subjects in order to stress the international character of the Association, and the importance of improving the quality of translations at congresses and of documents into the English language (a preferred language outside Europe).

A reply to this memorandum was received from Mr K. G. A. Sandstrom, the Vice-President of the Executive Committee.

Branch Meetings

Meetings were held on October 31st and December 19th, 1957, February 12th, March 26th, April 23rd and June 18th, 1958, and were very well attended.

At these meetings, apart from the ordinary business of the branch, several members gave addresses on tax subjects, and guest speakers spoke at the last two meetings.

Annual Congress 1958

The annual congress will be held this year at Knokke/Le Zoutte, Belgium, from September 8th to 12th. The subjects for discussion will be 'Taxation of revenue from patents, trade-marks and designs, particularly from the international point of view', and 'The onus and methods of proof in income tax law'.

The study subject will be 'The balance sheet and account in commercial and fiscal matters'.

The honorary secretary of the United Kingdom Branch is Mr O. Brooks, Messrs Gray, Dawes & Co, 122 Leadenhall Street, London, EC3.

TRAINING FOR BUSINESS ELECTRONICS

Last Monday was 'open day' for members of the Press at Bradenham Manor, near High Wycombe, Buckinghamshire, a computer training centre providing residential courses for senior executives and others from their customers' staffs, established by The British Tabulating Machine Co Ltd. Appreciation courses, refresher courses and computer programming courses varying in length from four days to five and eight weeks, are being held in this historic manor house, the latest addition to the company's training establishments. Bradenham is concerned with computer operations and employments, and supplements the resources of the Hollerith Computer Centre at 36 Hertford Street, London, W1.

The courses at Bradenham Manor are in addition to those held at the company's educational centre at Moor Hall, Cookham, Berkshire, a centre which is devoted to residential courses in Hollerith electro-mechanical and electronic punched-card equipment and their applications. The majority of people trained at Moor Hall still consist of those who will actually operate the machines or supervise an installation. There has, however, the company states, for some years been a growing tendency for managers and executives – those ultimately responsible for an installation – to attend the centre for appreciation courses.

Each year 2,000 people are trained at Moor Hall, of whom about 1,500 are customers' staff and 500 are the company's staff. It is estimated that each year 600 people will receive training at Bradenham Manor. The fee for a three-week computer appreciation course for senior executives is £33 10*s* per week, while a five-day computer refresher course costs £12 10*s*.

SOUTHEND-ON-SEA CHARTERED ACCOUNTANTS' GROUP

The next dinner meeting of the Southend-on-Sea Chartered Accountants' Group will be held at *The Imperial Hotel*, Westcliff Parade, Westcliff-on-Sea, on Thursday, July 24th, at 6.30 for 7 p.m. The innovation of a summer meeting is at the suggestion of the committee, who felt that members might wish to have another meeting before the annual general meeting in October.

The cost of the dinner meeting will be 10*s* per head, and members wishing to attend are requested to contact the hon. secretary, Mr A. A. Stewart, A.C.A., at Flat 3, 1 Clifton Terrace, Southend-on-Sea, before Tuesday, July 22nd.

STUDENTS' CRICKET MATCH

A cricket match played between the South Wales and Monmouthshire Chartered Accountants' Students' Society and the Cardiff Law Society, on June 15th, at Penarth, resulted in a win for the Law Society.

The Accountants won the toss and decided to bat, scoring 115 (K. Jones 53; J. Hooper 6–32). The Law Society, after being 48–5, did not lose another wicket and scored 124–5 (J. Cohen 67 n.o.; I. Struel 4–30).

THE PRESTON AND DISTRICT CHARTERED ACCOUNTANT STUDENTS' SOCIETY

At the recent annual general meeting of The Preston and District Chartered Accountant Students' Society the following officers were elected for the ensuing year:

President: Mr R. Mitchell, A.C.A.
Vice-President: Mr W. F. Palmour, A.C.A.
Hon. Secretary: Mr R. R. Morris.
Hon. Treasurer: Mr P. J. C. Bagot.
Committee: Messrs F. W. Freeman, A.C.A., H. W. Southworth, A.C.A., D. C. Norris, B.SC., A.C.A., W. H. Clark, A.C.A., C. J. Chalmers, D. Lyon, A. J. Penrose and J. L. Wilkins.

RETURN OF RATES

The thirteenth annual return of rates, published by The Institute of Municipal Treasurers and Accountants,[1] shows that average rates levied for all local authority services in 1958–59 were higher than the previous year, although housing shows a slight reduction in urban and rural districts. Education continues to be the biggest charge on the ratepayer.

For county boroughs and non-county boroughs the increase is 6*d* in each case, bringing the average rate to 19*s* 4*d*. Urban districts and rural districts show rises of 3*d* and 5*d* to 19*s* 3*d* and 17*s* 5*d* respectively. In Metropolitan boroughs the increase was from 16*s* 11*d* to 17*s* 2*d*.

The return is in two sections, the first containing particulars of rates levied and the second details of rates levied per head of population. The figures relate to all county boroughs and metropolitan boroughs and to a representative selection of non-county boroughs and urban and rural districts, a total of 671 authorities.

DEVELOPMENT OF EXECUTIVES

A one-week residential course for the development of executives is being held from October 26th–31st, 1958, and from January 18th–23rd, 1959, by the Sundridge Park Management Centre.

The purpose of the course is to stimulate thought on those aspects of personality and performance which help to make good managers. It is mainly suitable for those senior executives who have the responsibility of ensuring continuity in the direction of their enterprises. The syllabus includes study of executive duties and responsibilities, handling people and decision making.

The inclusive residential fee for the course is fifty guineas and further information may be obtained from the Director, Sundridge Park Management Centre, Bromley, Kent.

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[1] Return of Rates, 1958–59. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster, SW1. 7*s* 6*d* post free.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

Results of Examinations held in May 1958

FINAL EXAMINATION

(Second Division)

As a result of the examination held on May 12th, 13th, 14th, 15th and 16th, 1958, the undermentioned 60 candidates passed the Second Division of the Institute's Final examination. Their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned, an asterisk indicating a candidate who qualified for the Institute's Final examination certificate.

*Anderson, A. (Thomas Smith & Sons), Glasgow.
*Angus, C. R. (McKerrell, Brown & Gray), Edinburgh.
*Arbuckle, J. W. (Thomas Kelly & Co), Glasgow.

*Beilby, N. S. (Howden & Molleson), Edinburgh.
*Brown, (Miss) K. (A. & J. Robertson), Edinburgh.
*Brown, R. J. F. (Jardine, Dunlop & Anderson), Glasgow.
Bruce, R. J. (J. W. Jarvie & Co), Glasgow.

*Clark, J. (A. G. McBain & Co), Glasgow.
*Clark, P. E. G. (Finnie, Ross, Welch & Co), London.
*Coats, J. (Wilson, Ferguson & Co), Glasgow.
*Cooke, (Miss) M. L. (Peat, Marwick, Mitchell & Co), Birmingham.
*Copeland, F. T. (Gillespie & Anderson), Glasgow.
*Cowan, C. A. R. (W. A. Wighton & Crawford), Edinburgh.
*Crosbie, D. S. (A. T. Niven & Co), Edinburgh.
*Cunningham, D. A. B. (Lindsay, Jamieson & Haldane), Edinburgh.

*Dunn, J. W. (Stevenson & Kyles), Glasgow.

*Fraser, A. (Kidston, Goff & Harvey), Glasgow.

*Galloway, E. B. (McIntyre & Rae), Dundee.
*Gilchrist, J. (Rogerson & Goldie), Kilmarnock.
*Gilroy, A. G. (McIntyre & Rae), Dundee.
*Glen, T. G. (John E. Watson & Co), Glasgow.
*Guthrie, P. M. (John E. Watson & Co), Glasgow.

*Houston, S. G. (McLay, McAlister & McGibbon), Glasgow.

*Inglis, H. MacF. (Graham, Smart & Annan), Edinburgh.

*Jackson, F. W. D. (James Meston & Co), Aberdeen.

*Keay, J. A. (J. & R. Morison & Co), Perth.

*Lapsley, G. W. (Thomson McLintock & Co), Glasgow.
*Lawes, J. R. (George A. Touche & Co), London.
*Lee, W. G. (Peat, Marwick, Mitchell & Co), Glasgow.
*Lees, J. S. (J. S. Deans & Clement), Glasgow.
*Lindsay, H. (J. M. Kerr & Lindsay), Greenock.
*Little, J. MacC. (Grahams, Rintoul, Hay, Bell & Co), Glasgow.
*Lodge, A. J. McI. (Turner & Houston), Glasgow.
*Low, R. (J. Harley Hepburn & Co), Kirkcaldy.

*MacAskill, D. (Armitage & Norton), Huddersfield.
*McCall, D. S. (Jas. A. Jeffrey & Co), Aberdeen.
*McKenzie, G. (John Lauder & Co), Glasgow.
*Mackenzie, J. (Kirk & Johnston), Glasgow.
*McLellan, S. B. (J. M. Wyllie & Co), Motherwell.
*Macleod, A. F. (Mann, Judd, Gordon & Co), Glasgow.
*McMenemie, J. C. (Thomson McLintock & Co), Glasgow.
*Marshall, R. I. (Howden & Molleson), Edinburgh.
*Mash, J. P. (Milne, Gregg & Turnbull), London.
*Millar, W. J. H. (Reid & Mair), Glasgow.
*Murray, R. S. (Geo. T. Clunie & Scott), Edinburgh.

*Nairn, R. T. (Wilson, Stirling & Co), Glasgow.

Pretsel, M. I. E. (William Pretsel), Edinburgh.

*Richmond, (Miss) I. R. (Thomson McLintock & Co), Glasgow.

*Sinclair, R. A. (Grahams, Rintoul, Hay, Bell & Co), Glasgow.
*Smith, T. M. F. (Euan Macdiarmid & Co), Edinburgh.
*Spinney, A. N. (Brown, Fleming & Murray), London.
*Stewart, G. A. R. (W. A. Wighton & Crawford), Edinburgh.
*Stewart, I. F. B. (Romanes & Munro), Edinburgh.

*Trew, F. N. (Smallfield, Rawlins & Co), London.

*White, (Miss) C. R. (Henderson & Loggie), Cupar.
*Willins, R. (Archibald Sliman & Fisher), Glasgow.
*Wilson, D. (Watson McCarroll & Co), Glasgow.
*Wishart, D. F. (Martin, Currie & Co), Edinburgh.
*Wood, J. (McClelland, Ker & Co), London.
*Wyllie, M. S. (J. Douglas Henderson & Co), Edinburgh.

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INTERMEDIATE EXAMINATION

(Second Division)

As a result of the examination held on May 15th and 16th, 1958, the undermentioned 106 candidates passed the Second Division of the Institute's Intermediate examination; their names appear in alphabetical order and are followed by the names of the firms of the masters to whom they were indentured or assigned.

Adam, (Miss) C. M. S. (Reid & Mair), Glasgow.
Allison, R. C. G. (Alexander Sloan & Co), Glasgow.
Arnott, W. T. (John E. Watson & Co), Glasgow.

Beaumont, J. M. (Kidston, Goff & Harvey), Glasgow.
Bell, J. G. (Bower & Smith), Aberdeen.
Bradley, J. P. (Peat, Marwick, Mitchell & Co), Leeds.

Calder, H. R. M. (A. & J. Robertson), Edinburgh.
Carmichael, W. A. (Brodie, Burns & Anderson), Glasgow.
Charles, P. I. (Hamilton-Eddy & Walker), London.
Cole, M. D. (Thomson McLintock & Co), London.
Colquhoun, A. A. (Davidson, Downie & McGown), Glasgow.
Cooper, J. A. (Bower & Smith), Aberdeen.
Cormie, W. D. (Maxtone Graham & Sime), Edinburgh.
Corrie, G. M. (Thomson, Jackson, Gourlay & Taylor), Glasgow.
Cowan, R. K. (Boyak, Whitelaw & Aitchison), Edinburgh.
Craig, J. B. (Moores, Carson & Watson), Glasgow.
Craig, J. D. (Charles Burrows & Co), Edinburgh.
Crawford, C. G. (Wm. Home Cook & Co), Edinburgh.

Dawson, J. R. (J. Douglas Henderson & Co), Edinburgh.
Dick, J. A. (Martin Currie & Scott), Edinburgh.
Downes, T. A. P. (Grahams, Rintoul, Hay, Bell & Co), Glasgow.

Ferris, J. H. (Nairn, Bowes & Craig), Glasgow.
Fletcher, I. K. (Thomas Smith & Sons), Glasgow.
Fothergill, D. B. (A. C. Philp & Co), Dunfermline.

Gellatly, I. R. G. (Mackay, Irons & Co), Dundee.
Gibson, D. S. (John E. Watson & Co), Glasgow.
Gibson, J. S. (McClelland, Ker & Co), Glasgow.
Gilchrist, J. W. (Smith & Williamson), Glasgow.
Grant, D. MacD. G. (Thomson McLintock & Co), Glasgow.

Hamilton, C. H. (Lindsay, Jamieson & Haldane), Edinburgh.
Hardie, A. D. (J. W. & R. N. Oswald), Edinburgh.
Hart, J. A. B. (McClelland, Ker & Co), London.
Hastie, W. M. (Thomson McLintock & Co), Glasgow.
Hendry, J. (Bertram G. Samuels & Co), Glasgow.
Howie, R. Y. (J. Douglas Henderson & Co), Edinburgh.
Howie, S. L. (Moody Stuart & Robertson), Dundee.
Hunter, G. J. F. (A. & C. M. Davidson Smith), Edinburgh.

Jack, R. S. (Fleming & Wilson), Glasgow.
Jacob, M. D. (Thomson McLintock & Co), London.

Kelty, J. M. (T. S. Aikman & Paterson), Aberdeen.
Kesson, D. R. (Wilson, Stirling & Co), Glasgow.
Kirkpatrick, J. C. (Wylie & Bisset), Glasgow.
Kobine, N. J. G. (R. C. Thomson & Murdoch), Dundee.

Lang, A. (Thomson McLintock & Co), Glasgow.
Lees, A. F. (MacLean, Brodie & Forgie), Glasgow.
Lillingston, M. C. (Thomson McLintock & Co), London.
Lindsay, (Miss) M. P. (J. & R. Morison & Co), Perth.
Loudon, R. A. G. (Wilson, Stirling & Co), Glasgow.

Macaulay, D. (Roderick MacLean & Co), Inverness.
McBlane, J. (Mitchell & Smith), Glasgow.
McCully, I. A. M. (Thomson McLintock & Co), Glasgow.
Macdiarmid, A. H. (Peat, Marwick, Mitchell & Co), Glasgow.
McIntyre, R. A. McC. (French & Cowan), Glasgow.
Mackay, R. A. (J. W. & R. N. Oswald), Edinburgh.
Mackenzie, (Miss) H. M. (Moody Stuart & Robertson), Dundee.
McKinlay, A. R. (J. W. & R. N. Oswald), Edinburgh.
McLinden, J. F. (Bertram G. Samuels & Co), Glasgow.
Macmichael, D. K. (Lindsay, Jamieson & Haldane), Edinburgh.
Macneill, D. I. (Welsh, Walker & Macpherson), Greenock.
Macpherson, I. (Moody Stuart & Robertson), Dundee.
Marmion, (Miss) M. J. (Miller, McIntyre & Gellatly), Perth.
Martin, D. (Parker, Lawson & Stevenson), Glasgow.
Menday, R. L. (Peat, Marwick, Mitchell & Co), London.
Menzies, (Miss) M. A. (Hourston, Macfarlane & Co), Glasgow.
Miller, J. C. (Dunn & Todd), Glasgow.
Mitchell, B. (Thomson McLintock & Co), Glasgow.
Moir, G. G. (A. & J. Robertson), Edinburgh.
Moore, P. (Thomson McLintock & Co), London.

Neilson, J. (Wallace & Somerville), Edinburgh.
Nunneley, C. K. R. (Brown, Fleming & Murray), London.

Orr, R. I. (Walter & W. B. Galbraith), Glasgow.
Owodunni, J. K. (Stewart & McNair), Glasgow.
Oyelowo, O. (John E. Watson & Co), Glasgow.

Pate, G. W. (J. Cradock Walker & McFadzean), Glasgow.
Pearson, J. D. I. (J. Douglas Henderson & Co), Edinburgh.
Porter, J. B. (Peat, Marwick, Mitchell & Co), Newcastle upon Tyne.

Richardson, I. B. (Richard Brown & Co), Edinburgh.
Robertson, G. H. (John M. Geoghegan & Co), Edinburgh.
Ross, G. A. (Alex. M. Shaw & Co), Glasgow.
Ross, M. F. (James Milne & Co), Aberdeen.
Rothera, M. C. (Brown, Fleming & Murray), London.
Russell, J. (Wilson, Stirling & Co), Glasgow.
Russell, R. R. (Thomson McLintock & Co), Glasgow.

Saffery, J. R. (McClelland, Ker & Co), London.
Sakol, D. R. (Kerr, MacLeod & Macfarlan), Glasgow.
Sinclair, I. R. (Thomson McLintock & Co), London.
Sinclair, N. A. D. (Boyack, Whitelaw & Aitchison), Edinburgh.
Sinclair, W. J. (Jardine, Dunlop & Anderson), Glasgow.
Smith, G. R. (Wallace & Somerville), Edinburgh.
Smith, I. D. (Moores, Carson & Watson), London.
Stewart, I. O. (Thomson McLintock & Co), Glasgow.
Sutherland, C. I. (J. W. & R. N. Oswald), Edinburgh.
Sykes, H. R. (Thomson McLintock & Co), London.

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Credit Control Reform

THE hard core of the recent measures to relax the control of borrowing and capital issues, and at the same time to close loopholes in the controls which remain, is contained in the Control of Borrowing (Amendment) Order, 1958,[1] which has further amended the Control of Borrowing Order, 1947.[2]

On the relaxation side, the annual exemption limit goes up from £10,000 to the £50,000 which was in force until March 1956. The other relaxation is contained in amendments to Article 4 (3) of the Order which (as amended in 1955) prohibited the issue of 'securities' where the purposes or effects included:

(*a*) the capitalization of profits or reserves; or

(*b*) raising or borrowing money outside Great Britain, other than in the ordinary course of business and from a bank; or

(*c*) exchanging or substituting, for redeemable securities already issued, new securities which were redeemable earlier.

Before dealing with the relaxation, it is important to note that Article 4 (3) now confines itself to issues of *shares*, a much more rigid control on the issue of other securities, such as debentures, being now imposed by new paragraphs (7) and (8). The prohibition in (*a*) on bonus issues, as such, is now withdrawn, so that such issues can be made for any amount without consent. However, consent will still be necessary for issues over £50,000 of *redeemable* shares, if the purposes or effects of the transaction consist of or include the capitalization of profits or reserves. This requirement is imposed by a new paragraph (6) to Article 4 and would seem to be aimed against the avoidance of surtax by the device of issuing bonus redeemable preference shares and subsequently redeeming them.

A minor alteration of Article 4 (3) is to confine prohibition (*c*), above, to issues of shares which are in substitution for securities issued by the *same* body corporate.

The Control of Borrowing Order had recently become notorious for the ease with which the proverbial carriage and pair could be driven through it, largely by the abuse of relaxations introduced in 1955. The prohibition on borrowing, as such, has never applied to unsecured borrowing repayable not more than six months after demand, where the borrower is not a local authority. Naturally, the subsequent giving of security can make such a loan more permanent and therefore Article 2, as amended in 1955, deemed 'the borrowing of money' to include arrangements to provide security for money already borrowed. However, this deeming provision did not apply where the two parties to the 'temporary' loan were principal and subsidiary. Hence the device whereby the principal borrows money temporarily, lends it to its subsidiary temporarily, then takes a debenture from its subsidiary and transfers the debenture to the original lender who proceeds to sell it on the market. This device is now prohibited.

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[1] S.I. 1958 No. 1097.

[2] S.R. & O. 1947 No. 945.

Article 2 (1) (*b*) deemed it a borrowing where purchase money was left outstanding but charged on the property purchased. This was avoided by charging the purchase money on other property, so Article 2 (1) (*b*) has now been extended to cover this, too. Hitherto, paragraph 1 (*b*) did not apply in any case to the purchase of an undertaking by a body corporate, but this exemption has now been withdrawn.

Article 3, directed against the *raising* of money by the issue of shares, was considerably modified by relaxations made in 1955. It is now restored to its pristine rigidity. In consequence, a company which is not a private company will now need consent for the issue of fully-paid shares in satisfaction of the purchase consideration for an undertaking. Since 1955 Article 3 has not applied to the issue of fully-paid shares by any body corporate, provided the issue was to the vendors (or their nominees) of an undertaking sold to the body corporate, and the money raised was cash which was part of the assets of the undertaking or was part of the purchase price. This exemption has now been withdrawn from all bodies corporate which are not private companies.

Here again the exemption from Article 3 of issues by a subsidiary to its holding company is withdrawn, thus preventing the raising of money by selling those shares on the market. Another exemption from Article 3 which is withdrawn is the issue of shares in satisfaction of a pre-existing debt. Hitherto it has been possible to borrow money on ostensibly temporary loan and then to convert the loan into permanent share capital. A new paragraph (5) to Article 4 is also aimed at this device.

Article 4 (2), as amended in 1956, prohibited the issue of 'securities' in consideration for the transfer of any property but there were exemptions where:

(*a*) the property was part of an undertaking which was being bought; or

(*b*) the property consisted of securities in another body corporate.

Exemption (*b*) is now entirely withdrawn, while exemption (*a*) now applies only where the undertaking is being bought by a *private* company. On the other hand, Article 4 (2) is now confined to shares; other securities are now subject to the new control in paragraphs (7) and (8).

As regards securities other than shares, a new paragraph (7) to Article 4 simply prohibits their issue, by a body corporate, altogether, subject of course to Treasury consent and the £50,000 exemption limit. However, paragraph (7) is modified by paragraph (8) which provides exemption where the sole purpose of the issue is:

(*a*) to secure borrowing from a bank in Great Britain by a body corporate in the ordinary course of its business; or

(*b*) to secure similar borrowing outside Great Britain by a British body corporate, the money being made available in the Scheduled Territories; or

(*c*) to exchange or substitute new securities for redeemable securities already issued by the body corporate, provided the new securities are not redeemable earlier than the old ones.

These legislative changes have been accompanied by a new directive from the CHANCELLOR to the Capital Issues Committee, in which he asks the Committee to concentrate on transactions which are really devices for raising new money. He also modifies previous directives, the general purport of the modifications being a relaxation in certain directions, such as the stimulation of exports, the saving of imports, and the earning of foreign exchange. A guarded encouragement is given to investment trusts, in so far as they encourage thrift and do not purchase foreign securities. Control of overdrafts is to be relaxed.

In correspondence between the CHANCELLOR and the GOVERNOR OF THE BANK OF ENGLAND, a new and smoother means of controlling credit is outlined. It contemplates that when other monetary measures need support, the Bank should call on the banks to make special deposits with it. These deposits would carry interest but would not qualify for inclusion in the banks' liquid assets, which would continue to bear the same minimum ratios to total deposits.

All these measures are in a sense part of the gradual progress to a freer economy and are in line with the extension of initial allowances for tax purposes, and the lowering of Bank rate.

E. D. P.

ACCOUNTANTS, on the whole, are conservative creatures and the post-war prospect of having to adapt their long familiar accounting and auditing techniques to suit mechanized instead of manual means of recording was at first regarded by many with thoughtful apprehension rather than with any great enthusiasm. The profession had at that time, in the idiom of the age, enough on its plate. There was a brand new Companies Act to get used to and the problems which the receding tide of wartime taxation had left to be cleared were many and tangled. More than a decade has passed since then, however, and a new climate of optimistic opinion has been created. The thanks for this change in outlook is due mainly to those individual members of the profession who interested themselves in the vast possibilities of automation as applicable to accounting and who took the time and trouble to write articles and prepare lectures on various aspects of this as yet comparatively unknown development in human ingenuity. A glance at the general index which accompanied last week's issue to Volume CXXXVIII – or 10001010 in the binary scale of notation – of this journal, shows how completely the literature of automation has now come to be accepted as an essential part of professional reading.

To put in perspective what accounting by electronic methods involves, the Council of The Institute of Chartered Accountants in England and Wales has just issued a pamphlet describing 'the nature of the new equipment and the problems surrounding its use'. We are glad to have the opportunity to reproduce in its entirety this 'introductory outline', as the Council modestly calls it, elsewhere in this issue. It makes an excellent pendant to the other contributions on the subject which have previously appeared in these pages.

The first part of the pamphlet explains exactly what electronic data processing (generally referred to as E.D.P.) is and how a digital computer functions. Attention is drawn to the fact that, because of the speed and the high degree of automatic operation – two of the main characteristics of a computer – no 'permanent or visible record' of intermediate steps between the prime and ultimate information may be available. This point, which is of particular significance to auditors, is referred to in the fourth and final section of the pamphlet. It is also emphasized that with the rapid development of E.D.P., the whole or part-time use of a simple computer installation may well be justified by smaller businesses provided that they have sufficient volume of information to record and analyse.

The second part ranges over the difficulties which each organization has to overcome before and during conversion to E.D.P. No standard pattern can be prescribed for such a highly individual operation but the Council appears fully to have covered the broad essential considerations, step by step. These include a preliminary study of the pros and cons of conversion, a closer study of existing systems and how best they could be simplified and adapted to the computer programme, the purchasing of equipment and the economics of running it and, as important as any, the training and deployment of suitable office staff to man and maintain the machines. It is evident that the success or failure of the changeover may depend on the care with which this part of the operations is planned. The Council rightly points out that programming alone can entail an outlay in time 'measurable in terms of man-years'.

The third and fourth parts of the pamphlet deal respectively with the problems of accounting and auditing to which intensive mechanization gives rise. With regard to the first, accuracy in processing information at the various stages, the maintenance of a reliable system of internal check and the adequate storage of records are all duly emphasized. In contemplating the particular problems of the auditor, the Council repeats the simple but fundamental truth that the fact that an E.D.P. system is in operation makes no difference to the responsibilities of an auditor. This being so and remembering that, as already pointed out, intermediate records to link prime and ultimate information may not always be available to assist him in his examination, it is imperative that the auditor should be a party to the designing of the system so that his requirements may be made known and allowed for.

Finance Bill–XI

AMENDMENTS IN COMMITTEE

Car Transporter Licences

THE committee stage of the Bill was completed on July 2nd, when two new clauses, numbered 9 and 10, were added at the instance of the Government. The object of clause 9 is to prevent the use of a motor dealer's general trade licence (cost £25) to cover a car transporter vehicle which takes several vehicles at a time and for which the normal licence duty would be upwards of £100. General trade licences are issued under Section 10 of the Vehicles (Excise) Act, 1949, and cover all the vehicles used by a motor dealer in his trade. By Section 7 (5) of the Finance Act, 1952, car collection concerns were also allowed to take out a general trade licence, the idea being that this could be used for new vehicles being driven from factory to purchaser. Some car collection firms have been using their general trade licence to cover a large transporter vehicle carrying as many as eight cars at a time. This means that they have been able to avoid the normal licence duty for such a vehicle and at the same time enter into general haulage business without having to apply to the licensing authority for a licence to carry goods for hire or reward. Clause 9, which stops this, is not to come into force before the beginning of 1959. It does not affect the use of a car transporter by a repairer or a manufacturer.

Clause 10 extends the time in which a tobacconist can claim refunds in respect of tobacco tokens surrendered to him. The original date was March 31st, 1958, but as some 10,000 tobacconists failed to claim in time the final date has been put back to the end of September.

Profits Tax: Bonus Issues

The Government have accepted a minor amendment to paragraph 1 (6) of the Seventh Schedule; an amendment designed to meet a point raised by The Institute of Chartered Accountants in England and Wales. The Seventh Schedule is directed against profits tax avoidance by the declaration of an abnormally low rate of dividend for a period ending before April 1958. As originally drafted, paragraph 1 (6) directed that in computing the rate of dividend, share capital created since the standard period out of 'sums distributable by way of dividend' was to be ignored. The idea underlying the exclusion is that such additional share capital did not involve the introduction of new money from outside and therefore did not warrant a higher dividend. The point has been made that share premium accounts are also available for increasing share capital but are not 'sums distributable by way of dividend', since dividends out of share premiums are prohibited. Instead of recasting paragraph 1 (6) to say simply that only share capital created from new money was to be counted, the amendment adds the words in italics shown below:

> '(1) For the purposes of this paragraph any amount of share capital treated by a body or society as paid up since the end of the standard period in consideration of the retention by the body or society of sums distributable by way of dividend *or in consequence of the application by the body or society to that purpose of any sums, whether distributable or not* shall be disregarded.'

The mover of the amendment said its purpose was also to exclude new capital, 'due to the capitalization of capital reserves'. It is doubtful, however, whether capital reserves can be applied in paying up new shares without being 'distributable by way of dividend'.

Group Aggregation Notices

The Government introduced three minor amendments to paragraph 2 of the Seventh Schedule. This paragraph authorizes the revocation of group aggregation notices within six months after the Bill becomes law. As originally drafted it applied only where the aggregation notice itself had been given *before* the Bill became law. However, it was pointed out that if a company acquired a subsidiary shortly before April 1st, 1958, it would normally have until late September (i.e. long after the Bill became law) in which to make up its mind whether to serve an aggregation notice in respect of the chargeable accounting period ended on March 31st, 1958. If it delayed until after the Bill became law, then it would be unable to revoke the notice. Accordingly the requirement of giving the notice before the Bill becomes law is dropped. On the other hand, a new sub-paragraph (4) provides that revocation shall not be available unless the aggregation notice had effect for a period ended before April 1958.

ESTATE DUTY

Clause 25: Purchases of Reversions

A new sub-clause (4) has been inserted in clause 25 (formerly clause 23) and is designed to prevent a double charge to estate duty; once on the purchase money for a reversionary interest under the clause and once on the settled property under Section 43 of the Finance Act, 1940, in respect of the determination of a life interest. This was possible under the original wording of the clause where, for instance, life-tenant and remaindermen divided up the settled property *in specie* between them. It will be remembered that 'purchase' in clause 25 is widely defined to include, *inter alia*, exchanges, so that a life-tenant who took part of the settled property absolutely in return for giving up his life interest in the other part (with or without additional consideration) might call down on his head both anti-avoidance provisions cumulatively.

The new sub-clause provides as follows:

> '(4) In determining under this section the duty chargeable by reason of the purchase of an interest in settled property, any consideration for the purchase consisting of another interest under the settlement shall be disregarded, unless there has been a prior purchase of that other interest, being a purchase in respect of which duty would be chargeable on the death under this section apart from the proviso to subsection (1) and apart from this subsection; and if there has been such a prior purchase, the consideration for it shall be treated for the purposes of this section (except for the purpose of determining its value) as given not for that purchase but, in place of the said other interest, for the first-mentioned purchase.'

The wording down to 'disregarded' is plain enough. The remaining words of clause 25 (4) were explained by the SOLICITOR-GENERAL as being necessary

> 'where there are successive purchases of interests within the five years and what is bought in the first interest (? instance) is used as consideration for the second purchase'.

Clause 25 makes the period of vulnerability five years, corresponding to the five years which has to elapse before an *inter vivos* gift can escape duty. It was pointed out in committee that for gifts made for charitable or public purposes the period of vulnerability is only one year and it was argued that a similar distinction should be made in clause 25. The SOLICITOR-GENERAL undertook to introduce an amendment on the report stage which would achieve this result where a charity or similar public body sells its reversionary interest to the life-tenant.

On the subject of *inter vivos* gifts, the FINANCIAL SECRETARY TO THE TREASURY gave a 'categorical' undertaking that where a gift was in contemplation and there was some doubt as to whether or not it would be for charitable or public purposes so as to shorten the vulnerable period from five to one year, then the Inland Revenue would give an opinion, to the best of its ability, before the gift was made.

Clause 27: Quick Successions

The existing relief from estate duty where there are two deaths within five years is restricted to land and businesses, and to shares valued on the 'assets basis' under Section 55 of the Finance Act, 1940. As already stated, the decision in *Re Beare* ([1958] T.R. 181) has moved the Government to repeal the old relief and to give a new relief for all assets where the second death occurs after April 15th, 1958. The old relief, contained in Section 15 of the Finance Act, 1914, and Section 30 (4) of the Finance Act, 1954, is repealed by clause 36 (5) and Part IV of the Ninth Schedule to the Bill. Presumably it still applies to deaths occurring before April 16th, 1958.

Clause 27 (1) lays down two conditions precedent to the relief. The Inland Revenue must be satisfied that:

(*a*) estate duty has been payable on 'the same property' on an earlier death occurring within five years before the later death; and

(*b*) the person (not necessarily the second deceased) entitled to the property immediately before the later death did not acquire his title by or under a purchase for consideration in money or money's worth made since the earlier death.

These deceptively simple provisions are the subject of considerable elaboration in the Eighth Schedule which is applied by clause 27 (4) and will be dealt with in a subsequent article.

The scale of relief, as originally drafted, was the same as under the previous provisions. These gave a maximum deduction of 50 per cent, which applied to all cases where the interval between the two deaths was under one year. However, at the committee stage the Government accepted an amendment increasing the relief to 75 per cent where the second death occurs within three months. The new general scale is accordingly as follows:

Interval between deaths under	*Reduction in duty otherwise payable*
Three months	75 per cent
One year	50 ,,
Two years	40 ,,
Three years	30 ,,
Four years	20 ,,
Five years	10 ,,

If the value of the property when it passes on the second death is greater than the net value 'after the earlier death' (as defined in the Ninth Schedule) then the relief is confined to the last-mentioned value (clause 27 (2)). (*To be continued.*)

When is 'Know-how' Taxable?

CONTRIBUTED

'KNOW-HOW' – the knowledge of secret formulae or of secret processes of manufacture – although of venerable origin, has only recently emerged as a saleable asset for valuable consideration of high commercial importance. Now fully launched, it is assured of a large and expanding future. In *The Accountant*, dated May 3rd, 1958, at page 534, the recent sale of 'know-how' in the field of plastics is reported at a price of £61,071, while the decision of the House of Lords in *Moriarty v. Evans Medical Supplies Ltd* (36 A.T.C. 277; [1957] 3 All E.R. 718) has attracted widespread interest.

Comparison with Patents and Copyright

Before examining the *Evans* case, it may be helpful to consider the broad legal basis upon which 'know-how' rests, and the analogy which it bears to patents and copyright.

Patents and copyright are monopolies in law and hold an established place in the income tax code; 'know-how' is a quasi-monopoly, or monopoly in fact, which is gradually finding its own place in the same code. It may be that the 'know-how' in question could itself be patented but that, on the long view, considerations of secrecy make this course undesirable; or that the relevant designs or technical data are ineligible for the grant of letters patent. Even so, 'know-how', no less than patents and copyright, is something which only the possessor of it can use unless he sells it outright or disposes of it in a limited way by licence. 'Secret knowledge,' said Romer, L.J., in *Handley Page v. Butterworth* (14 A.T.C. 50; 19 T.C. 328) 'is as much (the taxpayer's) capital asset as is the patent monopoly the capital asset of the patentee.'

Whether the consideration for the disposal of a monopoly or quasi-monopoly is taxable depends, firstly, upon whether the sale is effected by the owner in the course of his business at the time of the agreement for sale; and, secondly, if the proceeds are received in the course of trade, whether they are capital or income in his hands. In *Nethersole v. Withers* (27 A.T.C. 23; 28 T.C. 501) the proceeds of sale of film rights in a play received by a person not engaged in the trade or profession of dealing in such property were held to be in the nature of capital; and so was the trustees' share (but not the author's share) of the profits of publishing a book based on Earl Haigh's diaries in *Haigh's Trustees v. C.I.R.* (18 A.T.C. 226; 22 T.C. 725).

But the dividing line between a capital and an income payment is often exceedingly fine, which prompted Sir Wilfrid Greene, M.R., to say in *C.I.R. v. British Salmson Aero Engines Ltd* (17 A.T.C. 187; 22 T.C. 29) that:

> '. . . in many cases it is almost true to say that the spin of a coin would decide the matter almost as satisfactorily as an attempt to find reasons'.

The fact that a monopoly can be made the subject of valuable consideration in a number of different ways adds to the difficulty.

Disposing of 'Know-how'

The owner of a patent or the possessor of a secret process can use his knowledge himself and derive income from it, or he can grant to another a non-exclusive licence to utilize it in return for a royalty. In each of these cases tax will be payable. In *Rustproof Metal Window Co Ltd v. C.I.R.* (26 A.T.C. 268; 29 T.C. 243), a lump-sum payment for a non-exclusive licence to use a patented process was also held to be an income payment although the sum had not been arrived at by reference to royalties for a specified quantitative future user.

Alternatively, the owner of a monopoly or quasi-monopoly can sell it outright, retaining no reversion for himself, so as to part for ever with the whole of his capital asset. In that event the payment received will be of a capital nature. And the same result will follow if, for example, he discloses designs which cannot be registered or patented to the Government, and the Government discloses them to other firms, as in *Handley Page v. Butterworth*. In that event, it is immaterial if the owner is left with the right to continue using the designs himself. He has parted for ever with a capital asset.

A more complicated situation arises where exclusive rights are granted in respect of a particular territory, as in *C.I.R. v. British Salmson Aero Engines Ltd*, or the owner sells outright only a part of his knowledge or lump-sum payments are received for the grant of limited and semi-exclusive rights as in *Margerison v. Tyresoles Ltd* (21 A.T.C. 357; 25 T.C. 59). In all these cases the value of the patent or process is permanently diminished or injuriously affected so that the owner has, to that extent, realized part of the capital of his property as distinct from exploiting (in the inoffensive sense) its income-producing character. But whilst the nature of the rights for which a sum is paid is often the deciding factor in considering whether the sum is of a capital or revenue nature, the form of the payment may also be material. Whereas a capital payment may be made by instalments, a lump sum arrived at by reference to some anticipated quantum of user will normally be income in the hands of the recipient.

Finally, on the general situation, it should be stated that patents, but not copyright or 'know-how', are subject to the provisions of Section 318 of the Income Tax Act, 1952 (formerly Section 37 of the Income Tax Act, 1945), which makes capital as well as income receipts derived from patent rights liable to tax as from April 6th, 1946, subject to a provision for spreading. But the cases distinguishing capital and income payments in respect of patents are still of importance in connection with 'know-how'. In the case of copyright, not only profits from royalties and lump sums received in commutation of royalties, but also lump-sum receipts from the sale of copyright are assessable, provided they form part of the receipts of the vocation of a novelist or dramatist. This is because, in such cases, the brain is the fixed capital and the books or plays produced the circulating capital (per Lawrence, J., in *Billam v. Griffith* (20 A.T.C. 42; 23 T.C. 757)).

The *Evans* Case

In the *Evans Medical Supplies* case the disclosure was limited but was exclusive to a particular country. The company entered into an agreement with the Government of Burma to establish a government-sponsored industry for the manufacture of biological and pharmaceutical products in that country. Under Part I of the agreement the company were to supply the Government with drawings, designs, plans, technical data and 'know-how' (which was specifically mentioned) necessary for the manufacture, storage and packaging of the several products scheduled to the agreement. The composition of these products was contained in the *British Pharmacopoeia* and none of them was of a proprietary nature.

Information of the kind to be supplied to the Burmese Government was not, however, obtainable from any textbook but a small number of British and Continental firms had the knowledge necessary to manufacture the products. The company's own methods and processes of manufacture had been gained over a great many years and were, in their estimation, the best. The consideration payable to the company under this part of the agreement was a lump-sum payment of £100,000 which was described as a 'capital' payment, and was not divisible.

Under Part II of the agreement, for an annual fee of not less than £25,000, the company were to operate and manage the factory, and whilst training native personnel, were to provide the necessary staff. The secret processes had never before been disclosed to anyone and, during the currency of the agreement, the company agreed not to disclose them to anyone else in Burma. The company was to be allowed to continue an existing agency in Burma but that agency would become increasingly less valuable as the Government established its own industry.

The Special Commissioners held that the different parts of the agreement had to be read together as an agreement for the provision of services; and that those services were provided by the company either in the course of its existing trade or in the course of a new trade which it commenced to carry on at the date of the agreement. Upjohn, J., on the other hand, found the whole £100,000 to be a capital receipt, being a payment for 'parting for ever' with part of a capital asset.

Fruit of Manufacturing Experience

The Court of Appeal took a middle course and distinguished 'formulae or secret processes truly analogous to letters patent, copyright and things of that kind' from plans and designs illustrating the way in which the company would lay out the factory in Burma and dispose the apparatus therein which only represented the 'recorded fruit of practical manufacturing or operational experience'.

The Crown appealed and the company cross-appealed to the House of Lords where no fewer than four different views were expressed by their lordships. Lord Keith thought it impossible to disturb the findings of the Special Commissioners. Lord Denning was also of opinion that the whole of the £100,000 was a revenue receipt, but since there was no clear finding by the Commissioners that the sum was received in the course of an existing trade, an assessment on that basis could not be upheld –

> 'the law never gives judgment in favour of a plaintiff when the only finding is equally consistent with liability and non-liability'.

Lord Morton upheld the decision of the Court of Appeal. Only Viscount Simonds and Lord Tucker were in agreement in dismissing the appeal of the Crown and allowing the cross-appeal by the company, for the same reasons.

The strange situation accordingly arose that whereas the majority of the House held that the £100,000, or at any rate some part of it, was an income receipt and not a capital receipt, the company succeeded in its appeal.

Parting with Capital Asset

Viscount Simonds said that on the true construction of the agreement, the payment of the £100,000 was solely referable to the promises given by the company under Part I of the agreement, and by disclosing secret processes in accordance with those promises the company was parting with a capital asset for which it received a capital sum. On the authority of *Handley Page v. Butterworth* a secret process, whether in composition or methods of storing and packing, was something which could be disposed of for value, and by imparting the secret to another, its owner did something which could not fairly be described as rendering a service. On the further question whether the assets sold to the Burmese Government were 'assets of fixed value', of paramount if not decisive importance was the agreement itself. Under it the company had parted with a capital asset which was the source or one of the sources of its profits.

His lordship added that it would pass the wit of man to apportion the £100,000 between the several items comprised in Part I of the agreement which were 'clearly, less clearly or doubtfully of a capital nature', just as it would be difficult to separate the value of a secret imparted to the Government from the value of the services rendered in imparting it.

The case having been argued throughout by both sides on an 'all or nothing basis', Lord Denning doubted whether it was permissible to divide up the £100,000 into (i) information about secret processes and (ii) 'information about other things'. The information about other things was technical knowledge which was not secret but was valuable in that it could only be obtained from firms who were expert in it. The distinction was between information which was *secret* and information which was *scarce*, but the parties to the agreement did not seek to draw any distinction between the two. The £100,000 was a single payment for 'know-how'.

Special Circumstances

It is plain that the majority decision of the House of Lords, so far as it allowed the company's cross-appeal, owed something to special circumstances: the absence of a specific finding of fact that the payment was made in the course of the company's existing trade; the insistence of both sides on an 'all or nothing' basis; and a carefully drawn agreement which throughout treated the sale as that of a capital asset. It is possible that in other circumstances a different decision might have been reached regarding the information which was 'scarce'. Yet the remarks of Viscount Simonds and Lord Denning leave the impression that the scope of 'know-how' as a quasi-monopoly has been extended beyond the limits placed upon it by the Court of Appeal so as to include any kind of expert knowledge, whether secret or scarce, which concerns industrial formulae or processes of manufacture, storage or packaging, and is a saleable business asset.

In time other test cases will doubtless be brought before the Courts; meanwhile, any agreement for the sale of 'know-how' would appear to be a matter for very careful handling.

Weekly Notes

The Irish Institute's Examinations

A TOTAL of 145 candidates sat for the examinations of The Institute of Chartered Accountants in Ireland held in May, and of these, 66 (45·5 per cent) were successful.

There were 59 candidates for the Final, of whom 29 (49 per cent) passed, compared with 40 per cent in November 1957. The First Place and the Arthur H. Muir Memorial Prize were won by Mr Anthony Dermot Shanagher, of Monkstown, Co. Dublin.

In the Intermediate there were 72 candidates, of whom 31 passed (43 per cent) and 41 failed (57 per cent). Passes in the November 1957 examinations were 59 per cent. The First Place and the John Mackie Memorial Prize were awarded to Mr Cormac Francis McGuinness, of Dublin.

A list of successful candidates, with a summary of the results, appears on another page of this issue.

Irish Company Law Reform

THE Company Law Reform Committee set up in the Republic of Ireland in March 1951, has now reported that the main structure of the system is sound and has worked satisfactorily; any major or fundamental alteration is wholly undesirable and would create very great difficulties alike to business men, lawyers, accountants, and the Revenue authorities.

The committee thinks that the law should not depart too far in its general principles from the corresponding law in Northern Ireland and Great Britain. There were close connections between the three countries and moreover the British system was well known in the United States, and in European countries. It recommends certain changes, to be achieved by passing a new Companies Act instead of amending the Companies (Consolidation) Act, 1908. One thing favoured by the committee is the introduction of 'no-par value' shares, which should act as an inducement to United States and Canadian investors. We hope to discuss the report in more detail next week.

Income Tax Penalties and Accounts

THE formidable array of statutory penalties which apply to misstatements in statutory income tax returns have no application to the accounts which often accompany or follow those returns, unless the taxpayer uses some wording on the returns which has the effect of incorporating in them the information shown on the accounts. The Royal Commission recommended that this immunity be terminated. The point was brought to the fore again on July 2nd in the House of Commons during the committee stage of the Finance Bill. The Financial Secretary to the Treasury said it was proposed at the report stage to introduce a Government amendment to give effect to the recommendation.

On a proposal (also supported by the Royal Commission) that taxpayers should always be required to give a written certificate that accounts of their profits were accurate, Mr Simon was less enthusiastic. He said that in the experience of the Inland Revenue that change would not have the effect which was desired. They used to issue a similar form of certificate, Form 81, as a matter of course, and found that the trader usually signed it as a matter of course. Moreover, accountants tended to resent further inquiries which looked behind the signature after that form had been signed. As a result, the practice was changed so that nowadays the form was used only selectively, where the Inspector had some particular reason for seeking some further assurance. It was the experience that the discriminating and carefully-timed use of the form was far more efficacious in the prevention of evasion and in drawing to the trader's attention the importance of the accuracy of the accounts.

One minor matter which the Financial Secretary said was worth mentioning was the Treasury's fear that the universal issue of a certificate for signing by the trader might be interpreted by 'the less careful and responsible type of accountant' as relieving him from the obligation of himself checking the accuracy of the records.

Tribunals and Inquiries Bill

THE House of Commons has given a second reading to the Tribunals and Inquiries Bill after its passage through the House of Lords. The Bill implements some of the recommendations made by the Committee on Administrative Tribunals and Enquiries (the Franks Committee). Clause 1 provides for the appointment by the Lord Chancellor and the Secretary of State for Scotland of an advisory Council on Tribunals to keep under review the constitution and working of the tribunals listed in the First Schedule to the Bill. There are a large number of these, including, for example, the General and Special Commissioners of Income Tax and the Board of Referees. The Council will also report on particular matters referred to it and relating to any tribunals (other than ordinary Courts of law) or to administrative procedures involving a statutory inquiry. It can make general recommendations on the membership of the tribunals specified in the First Schedule and must be consulted by the rule-making authority on rules of procedure for them.

In the committee stage of the Finance Bill an attempt was made to remove the property qualification in the case of General and Additional Commissioners of Taxes. Resisting the proposed amendment, the Financial Secretary to the Treasury conceded that the general argument in favour of it was incontrovertible. However, the amendment had drafting defects and the Government wished also to deal with the methods of appointment and the payment of expenses. It would make the changes by an amendment to the Finance Bill, but this would be done in the context of the Tribunals and Inquiries Bill.

More Company Winding-up Proceedings

As reported in our issue of June 14th, a banking company called Comcor Ltd was ordered on June 9th to be wound up. On Monday, Mr Justice Vaisey adjourned for fourteen days the hearing of a petition to wind-up Peto Scott Electrical Instruments Ltd, intimating that the company was to take immediate steps to call a meeting of its creditors and report back to the Court. Counsel for the Commissioners of Customs and Excise, a creditor of over £132,000, who pressed for immediate winding-up, said that a debt of £28,000 owing to the company by Comcor Ltd was shown in its statement of affairs as nil.

On the same day Mr Justice Vaisey adjourned for fourteen days a petition to wind-up Finance and General Transport Credit Co Ltd. Counsel for the petitioner said that the company appeared to be connected with Pena Industries Ltd which, as reported in our issue of June 14th, is said to be a large creditor of Comcor Ltd. Pena Industries Ltd is also in compulsory liquidation.

Reimbursement to Employee not Taxable

The decision of Mr Justice Upjohn in *Hochstrasser v. Mayes* (36 A.T.C. 356), which we reported in our issues of January 4th and March 1st, has now been affirmed by the Court of Appeal by a majority of two to one (*The Times*, July 8th, 1958). Two employees of Imperial Chemical Industries Ltd had appealed against Schedule E assessments made upon them to include sums paid by their employer to reimburse them for loss on the sale of their houses on the occasion of their transfer, the sums being paid under a housing scheme agreement. Mr Justice Upjohn held that these sums did not constitute emoluments assessable to tax. Lord Justice Jenkins said he felt considerable difficulty over the two cases, but with some hesitation he had come to the conclusion that the Crown's appeals should be dismissed. It might well be said that while the employment was a *causa sine qua non* of the employee entering into the housing agreement, and consequently, in the events which happened, receiving a payment from the employer, the *causa causans* was the distinct contractual relationship subsisting between I.C.I. and the employee under the housing agreement, coupled, of course, with the eventual decline in value of the employee's house. There was no warrant for the proposition that a consideration other than services could only be shown if the consideration moving from the employee (other than services), for the benefit received, demonstrably represented the full value in money's worth for the benefit in question.

His lordship went on to say it would, no doubt, be right to disregard a fictitious or colourable bargain designed to disguise what was in fact remuneration as payable on some other account. But nothing of that sort entered into the present case. The housing agreement was a genuine bargain, advantageous to both sides. Lord Justice Parker, dissenting, said there was no substantial consideration for the payments, apart from services. No weight could be attached to the fact that employees who were members of the scheme received full remuneration. Nor did the fact that the payment was an indemnity against loss make it any the less assessable.

The Crown was given leave to appeal to the House of Lords on condition that it did not seek to disturb the orders already made as to costs.

Australian Dividend Strip

The Australian Federal Income Tax Act contains, in Section 260, a kind of omnibus anti-avoidance provision, which has given rise to much litigation. It was the subject of dispute in *Newton and Others v. Commonwealth Commissioner of Taxation*, which has now been decided in the Commissioner's favour by the Privy Council (*The Financial Times*, July 8th, 1958).

In the autumn of 1949, three motor-dealing companies had made and were making large profits, which would be taxed at 15*s* in the £ on the shareholders (the appellants), if distributed to them, and taxed on the companies at the same rate if not distributed by the end of the year. In December 1949, several transactions took place under which another company, Pactolus Pty., acquired the shares in the motor companies; large dividends were paid on the shares, and Pactolus sold the shares back to the appellants at a much lower price. Income tax was imposed on them on the grounds that there had been an 'arrangement' which had or purported to have 'the purpose or effect' or 'avoiding a liability imposed' on any person by the Act.

Lord Denning, giving the judgment of the Privy Council, said that in their lordships' view there had been an arrangement which had the threefold purpose of increasing the capital of the motor companies – by ploughing back over £A1 million of profits – and to do it in a way which would attract as little tax as possible; enabling the original shareholders to receive a large sum – nearly £A500,000 in cash – without paying tax on it; and enabling Pactolus to make a handsome profit. Clearly tax avoidance was not the sole purpose. However, tax avoidance was, in their lordships' view, one of the purposes, and therefore the scheme was caught by Section 260. The appeals were dismissed.

Ghana Tax Changes

PRESENTING the Ghana Budget at Accra, last Monday, the Finance Minister announced a reduction in the general income tax rate on companies from 9*s* in the £ to 8*s* in the £. At the same time an additional 6*d* in the £ is to be levied on companies incorporated outside Ghana, except for profits retained in Ghana. Non-residents will suffer a withholding tax of 6*d* in the £, paid by Ghana companies. A Minerals Profits Tax Bill is to be reintroduced, to assist mining companies to obtain relief in respect of tax paid outside Ghana.

Some special reliefs for small companies are to be introduced. A company incorporated in Ghana with a capital up to £10,000 and an income of £10 to £5,000, will have a complete tax holiday for the first two years. Companies with a capital over £10,000 but income below £5,000, will be taxed at 4*s* in the £. For incomes over £5,000 and under £10,000 the rate of tax will be on a sliding scale. Personal incomes over £600 will pay more tax. The import duty on petrol goes up to 1*s* 9*d* a gallon and the duty on cars will also increase. Small cars will pay £50 and larger ones £150.

Accounting Machine Merger

A MERGER between The British Tabulating Machine Co Ltd and Powers-Samas Accounting Machines Ltd, resulting in a new company which will be the largest British manufacturer of punched-card equipment, was announced last week. Agreement has been reached in principle for a merger of the two companies: a new operating company will be set up to take over the undertakings of both companies in return for the issue of ordinary shares. British Tabulating will hold 62 per cent of the equity in the new company and Powers-Samas – of which company Vickers Ltd hold all the ordinary shares – 38 per cent. The agreement is subject to approval at meetings of the shareholders and stockholders of the two companies and it is hoped that all arrangements will be completed early next year.

The main purpose of this important merger in the punched-card and computing fields is to improve efficiency and 'to satisfy economically the steadily increasing demands of the world markets for these types of equipments'. The combined net assets of the two companies are about £23 million.

Report on a Union

WORDS have not been minced in the report of the committee of investigation into the Smithfield unofficial strike. The report was issued last week and is sharply critical of senior officials of the Transport and General Workers' Union.

The committee considered that the cause of the strike was dissatisfaction with the pace at which the pay claim was handled but the delays, in their opinion, were not due to procrastinating tactics but to the complexity of the claim itself. The strike was a flagrant breach of the constitution of the Joint Industrial Council for London meat drivers. This constitution does not permit of strike action until the Council's procedure has been exhausted. In the opinion of the committee, the senior officials of the union failed to advise their members properly either about the facts of the case or the state of the negotiations. The committee stress that it is of the utmost importance, in the interests of good relations in industry, that the union's attitude to unorthodox strike activity should be without equivocation and above reproach.

It has perhaps been inevitable that the Transport and General Workers' Union should have borne the brunt of unofficial strike action and publicity on militancy over wage negotiations when the trade union movement is pressing for wage increases at a time of general economic stagnation. The size of the union, the variety of unskilled workers which it represents and the long-term effort which the union is making to close the differential between skilled and unskilled workers so far as wages are concerned, all force it into a difficult position as regards the public in present circumstances.

Conflicting Trends

THE Chancellor's decision to ease credit restrictions has come at a time when two of the most significant indices of industrial activity are beginning to show divergent trends. These are the state of the order book in the machine tool industry and the number of factory plans approved. These are in no sense scientific indices and they lack the statistical validity of, say, the official index of industrial production. Nevertheless, over the years they have given a fairly reliable indication of how the economy is behaving.

There are reports of definite improvements in the orders for machine tool manufacturers. The inquiries are shared fairly equally between the home and export markets and there are signs that the improvement in home orders owes something to the beginning of the relaxation of the credit squeeze which came with the Budget last April.

In contrast, the latest figures for factories approved make disappointing reading. In the second quarter of 1958, Board of Trade approvals amounted to 10·9 million sq. ft., compared with 18·7 million sq. ft. in the same quarter of 1957. This amounts to a drop of over 40 per cent. If one takes the half-year, the comparison is almost as bad, for new plans approved in the first half of this year were nearly 30 per cent lower than in the first half of 1957. To some extent the drop in activity will have been offset by the increase in the road building programme, but there is no doubt that activity as a whole in factory building is likely to be lower in the second half of this year than it has been for a number of years.

ACCOUNTING BY ELECTRONIC METHODS

AN INTRODUCTORY OUTLINE

The Council of The Institute of Chartered Accountants in England and Wales issues these notes on accounting by electronic methods in order to give members, whether engaged in public practice or in industry and commerce, information on the nature of the new equipment and the main problems surrounding its use. These notes indicate what in many respects appears capable of being done with a computer and the possible implications rather than what is currently being carried out upon any significant scale of general application. They do not contain explanations of the technicalities of the equipment nor do they contain descriptions of the equipment produced by different manufacturers.

Notwithstanding the technical complexity and terminology of electronic methods, their application to accounting is no more than one further step in the mechanization of accounting work. Continued progress with punched-card and other machines has considerably increased their scope and speed of operation, but all have a limiting factor in the need for human intervention at some stages in the complete accounting process. The adaptation to accounting of electronic computers is a natural outcome of the continuous development of accounting machines with their inherent tendency towards reducing the human element in routine accounting processes.

INTRODUCTION

Electronic Data Processing

1. 'Electronic data processing' is the term applied to the method of analysing, marshalling, recording and reporting business information by means of equipment the central feature of which is an electronic digital computer. For convenience this method of processing business information is referred to in these notes as E.D.P.

2. For processing to take place by means of E.D.P. the computer has to be given, in addition to the information to be processed, instructions directing it how to deal with the information; a sequence of such instructions is termed a programme.

Electronic Digital Computers

3. An electronic digital computer is a device capable of performing upon information, supplied to it in a suitable form, any arithmetical operation in accordance with predetermined instructions and of retaining in its store, for issue as required or for future use, the instructions, the original information and the results of its operations thereon. The instructions can be designed to produce not only the results of addition, subtraction, multiplication and division but also the result of comparing, and thus of selecting between, two predetermined courses.

4. The value of a computer for clerical and accounting work arises not only from the foregoing capabilities but also in particular from the speed at which it can execute its instructions coupled with its high degree of automatic operation. In carrying out its instructions the computer does not necessarily make any permanent or visible record of the individual intermediate steps taken. Thus there is an apparent gap between prime and ultimate information, which is of particular significance to auditors.

5. The capability of an individual installation varies with its speed, the capacity of its own internal store and its range of automatic functions, all of which are related to the total cost of the installation. Although the use of computers for accounting purposes is still in its infancy, computers are in use in such separate applications as the preparation of payrolls, of production and stock records and of invoices. It is, however, envisaged that in its most advanced state E.D.P. equipment may well be capable of carrying out within itself a whole series of interrelated accounting processes which have been predetermined.

6. E.D.P. is developing rapidly and may well take many forms varying from the punched-card installation incorporating a simple electronic digital computer to the full-scale installation which would include an electronic digital computer with large internal storage capacity, together with automatic access to an adequate range of ancillary equipment and to external storage devices.

7. It should not be assumed that only the largest business organizations will be able to afford the use of E.D.P. Smaller businesses may be able either to take greater advantage of the use of large general purpose equipment on a service basis or to acquire smaller equipment as it is developed.

8. A computer operates by means of electronic switches which are internal parts of it and at any given moment are either 'on' or 'off'. Thus the circuits may be made to reflect one or other of two digits; it is this characteristic of the computer which has led to the binary scale of notation (outlined briefly in Appendix A) being commonly used for computers in place of the more usual decimal scale. Conversion to and from the binary scale is normally performed within the computer.

Application of Electronic Digital Computers

9. Electronic digital computers have been employed for a number of years for the rapid performance of scientific and similar calculations which, by reason of complexity or of volume, would prove difficult if not impracticable of solution by manual methods or by the use of mechanical calculators. They are also being installed for production planning and control purposes.

10. Accounting operations seldom call for calculations as complex as those required for scientific work. By contrast they usually require a means of dealing

with a larger volume of information; accordingly computers used for accounting purposes require a large capacity for the receipt, analysis and reporting of information.

11. Punched-card equipment can perform automatically the usual arithmetical processes, though normally only by recording intermediate steps on cards. Electronic calculators have been developed which can be used in conjunction with punched-card installations to speed up and extend the calculating processes and many punched-card installations now incorporate such a calculator. Such installations are sometimes referred to as 'computers'. Strictly speaking they are not computers because computers have the ability to:

(*a*) retain data and instructions within their own internal store; and

(*b*) modify those stored instructions within the scope of the programme.

These notes deal only with installations containing a computer.

12. As already noted in paragraph 3 above, it is necessary for information to be prepared in a form suitable for processing by the computer. This entails the preparation and coding of new information and conversion into input media, such as punched cards, punched paper tape, or magnetic tape. Thus initial recording differs little from the established routines already commonly in use. For a computer, however, programmes must also be prepared, coded and recorded on suitable media.

13. The substantial demands upon the time of senior executives of the business in the consideration of and preparation for the introduction of an E.D.P. installation, coupled with the costs of preparing flow charts and programmes and converting them into suitably coded media, constitute a significant initial expense additional to the cost of the actual installation.

14. Broadly, therefore, it would seem that the use of an E.D.P. installation exclusively for accounting purposes is unlikely to be justified on financial grounds unless the planned operations:

(*a*) involve handling a substantial volume of repetitive work of a standard type which would keep the installation adequately employed; or

(*b*) link one process with another and so permit the installation to carry out various operations on the same information and thus to integrate several accounting processes; or

(*c*) will provide sufficiently valuable information for management.

15. Up to the present, the initial costs have been so great as to limit the purchase of an installation to comparatively large undertakings. Even so, some large undertakings have preferred to hire rather than purchase, though hiring does not avoid such initial costs as those of systems study and programme preparation and coding. Smaller installations, usually designed to cope with a limited range of routines, are in course of development. It may also prove feasible to evolve standard programmes capable of handling limited fields of work of a relatively routine nature, for example, the preparation of payrolls of staff paid on a time basis. If it should prove practicable to adapt such standard programmes to individual needs, then installations may well come within the financial capacity of many medium-sized organizations; the use of them on a service basis may also become a practical proposition for a still wider field of smaller organizations. The notes which follow are, however, intended to deal primarily with the general use of an E.D.P. installation by an individual organization.

E.D.P. Equipment

The main sections of a full E.D.P. installation are outlined below:

16. *Input unit.* – Input generally consists of programmes, new information, standing records and brought forward balances, all of which must be introduced into a computer for processing to take place. Programmes, standing records and brought forward balances will normally be on suitable media (such as punched cards, punched paper tape and magnetic tape) but new information must be transferred to such media. Once information is on suitable media there are various devices by means of which it can be put into the computer; their operation presents no great difficulty and is directly under the control of the computer.

17. *Arithmetic unit.* – The arithmetic unit is composed of electronic circuits and is an integral part of the computer. It is used for all calculations and in the majority of computers for the marshalling of information.

18. *Control.* – Control is effected by electronic devices within the computer which act so as to bring into operation the circuits required to carry out instructions in the programmes. Depending on the result of an intermediate calculation the control will, where necessary, select from the programme the appropriate course to be followed.

19. *Internal store.* – The internal store is an integral part of the computer. While processing is taking place it holds:

(*a*) the programme;

(*b*) new information, standing records and brought forward balances;

(*c*) results (both intermediate and final).

There are several kinds of internal store, used either singly or in combination, and they can be arranged in various ways. The time taken to obtain information from them varies widely as between different computers, although even in the slowest computer it is measured in thousandths of a second. The volume and complexity of the processing which can be carried out at any time is generally related directly to the size of the internal store or the number of internal storage units and these in turn are reflected in the cost of the equipment. Some kinds of internal store are such as to be able to hold information indefinitely but other kinds, normally used for intermediate results, are such that information would be lost if there were a power failure. The information lost is, however, capable of being reassembled, normally without difficulty, by re-processing.

20. *Output unit.* – The result of the processing by the computer, termed output, may be recorded by devices for printing and/or transfer to one or more of the external stores. Printed output may be obtained directly from the computer by connecting it to an automatic typewriter or printer. Stored output is maintained in a form which will enable it to be used in a subsequent process. The stored output may be con-

verted into printed form by equipment not connected to or controlled by the computer. This avoids limiting the effective operating speed of the computer to the present speed of printing devices.

21. *External store.* – External stores consist of various media (such as punched cards, punched paper tape, magnetic tape, and magnetic film) on which are held programmes and standard records such as wage rates, price lists and accounts balances.

22. Thus, a large E.D.P. installation will normally consist of:

(*a*) input preparation units – for putting information on to punched cards, punched paper tape, or magnetic tape, in a form which the computer can absorb;

(*b*) input units – equipment by which the computer absorbs the information on the punched cards or tape;

(*c*) the processing unit – comprising arithmetic unit, control and internal store;

(*d*) output units – equipment enabling the computer to record the results of its work;

(*e*) external stores – with equipment for transferring information from the store to the processing unit and vice versa;

(*f*) output printing units – printers, card interpreters and typewriters, which are used to transcribe the results of the computer's work into a form in which it can be read.

Appendix B indicates very briefly the flow of information through an installation and the action and output of the installation.

CONVERSION TO E.D.P.

Preliminary Study

23. The work involved in a change from an existing system to E.D.P. calls for a more detailed and more comprehensive approach than that normally required when introducing or extending office mechanization. As a first stage it is advisable to make a study to find out:

(*a*) whether and if so to what extent E.D.P. could be applied in the particular business organization;

(*b*) the form and nature of interim and final information required;

(*c*) what resulting advantages are likely to be obtained from the use of a better selection of information made quickly available, such as information leading to the reduction of excessive stocks. Such advantages must be compared with a broad estimate of likely cost.

It may be necessary to consider whether fundamental changes in the methods of recording used in the organization are desirable in order to expedite the processing of information and avoid duplication of effort. The preliminary study will normally occupy some senior staff for several months.

24. The preliminary study should cover all operations thought to be suitable for transfer to E.D.P. so that the conversion is conceived and justified as a whole even if the installation can clearly be justified on one single application only. It may, however, be found that to implement the conversion in a practical manner it is necessary to proceed by making piecemeal transfers of processing operations to E.D.P. Indeed, such experience as there has been to date appears to indicate that initially a conversion to E.D.P. has been for the purpose of performing one separate processing operation.

25. The preliminary study would be directed to an examination of those sections of the accounting work of the organization which involve a substantial volume of repetitive or recurrent operations (such as the preparation of a payroll covering a large number of employees or substantial invoicing) to determine, *inter alia*, whether the transfer of these operations to E.D.P. would keep the equipment adequately employed. It would also be necessary to consider whether and if so to what extent information which had been coded and converted into input media would be usable, without further coding and conversion, in other operations such as the preparation of wages analyses and statements of stocks and usages of materials and for costing and similar purposes. A further example is the use of the equipment for the preparation of invoices in such a way as to make it possible to obtain, from the same coded information, analyses for finished product stock control, for calculation of commission to salesmen and for records of accounts receivable.

26. In the light of these considerations it would be possible to draw up a plan indicating the purposes for which an installation could be used and the extent to which these operations could be integrated.

Systems Study

27. If as a result of the preliminary study there appears a good case for conversion to E.D.P., there will then follow a close study of the existing systems and procedures, so as to show precisely the manner of preparing prime documents and of transferring information from such documents, the steps taken to process that information, the reports produced and whether and to what extent duplication exists.

28. The study should then proceed to ascertain what reports or summarized information are required, after which proposals must be formulated for modifying existing procedures if necessary or for introducing new ones. At this stage a knowledge of the potentialities of the computer and of the techniques it uses is of great value, for here may be an opportunity to propose arrangements to make available to management a greatly improved selection of information. The co-operation of all levels of management is essential during this part of the study so as to ensure that the procedures and reports envisaged are acceptable to all concerned.

29. After all the relevant detail has been obtained it should have become clear whether a conversion to E.D.P. would be advantageous. Even if the decision is not to convert it may well be found that the systems study discloses ways in which the existing systems may be improved. The resulting economies may more than offset the cost of the study.

30. If as a result of the study a decision to convert E.D.P. is reached the next step is to draw up flow charts detailing the information to be used, the operations to be performed by the equipment, the results to be obtained and the reports required. This is the first stage in the preparation of programmes.

31. The flow charts must then be translated into the numerically coded form in which computer instruc-

tions are written in order to become a programme. When each programme or section thereof is complete it must be tested by processing sample information through the equipment. It will generally be found that many revisions to a programme are required before the programme which makes the best use of the equipment is formulated. On the final settlement of a programme, detailed and annotated flow charts should be prepared and maintained in order to facilitate subsequent revision.

32. The systems study and the programming will occupy senior staff and specialists for a very considerable time and experience has shown that programming alone can involve expenditure of time measurable in terms of man-years.

33. It is normally desirable to introduce any new system by stages, as this will avoid an abrupt reorganization extending to the work of all those handling the records and will enable unforeseen difficulties to be overcome before a complete change-over is effected. This applies with even greater emphasis to a conversion to E.D.P. when it will also be essential to run the old and new systems in parallel for an initial period.

Types of Work Suitable for E.D.P.

34. There are a number of individual procedures which might be carried out by E.D.P. because they require a large number of similar items to be systematically analysed, marshalled, recorded and reported. Examples of such procedures are given below, although in many organizations E.D.P. may not be justified unless it is applied to more than one of them:

(*a*) Analyses of labour, materials and other direct production costs, overhead and service department costs, budgets and forecasts;

(*b*) Records of stores, raw materials, finished goods and work in progress;

(*c*) Payroll and ancillary records;

(*d*) Invoicing, debtors' accounts and analyses of sales, including analyses for market research and transport and delivery schedules;

(*e*) Purchases analyses and creditors' accounts.

E.D.P. may also be suitable for handling large volumes of other repetitive and recurrent operations. Some of the applications listed above, such as invoicing, may be particularly useful to non-manufacturing organizations which have to deal with a large volume of repetitive clerical work.

35. In addition to the above accounting applications, E.D.P. may be installed for purposes of production planning and control for which it may prove to be particularly suitable.

36. In some instances the transfer of individual processes to E.D.P. may be the preliminary step which leads eventually to a more complex utilization of E.D.P. It may be that, depending on the needs of the organization, more complex routines with a greater degree of integration of different accounting and other processes will develop as experience of using the equipment is gained.

Problems of Selecting E.D.P. Equipment

37. The selection of suitable equipment, from the various assemblies now available or coming on to the market, is difficult. The capacity of equipment for work should be compared with its cost but this is by no means easy. The exact nature of the tasks to be performed should be considered. It will be necessary to decide whether the equipment will be required, *inter alia*:

(*a*) to cope with a few repetitive procedures rather than with a number of diverse procedures not necessarily foreseen in detail;

(*b*) to deal with a particularly large volume of input – the extent to which information can be sorted before being put on to input media will have a bearing on volume of input;

(*c*) to give output merely in the form of totals rather than to give voluminous detail (for example, giving the totals of the control accounts of stock instead of giving in detail the balances of items in stock);

(*d*) to include a computer which incorporates automatic checking features (examples of which are given in paragraphs 57 and 58) in addition to relying upon programmes for checking accuracy in processing;

(*e*) to afford rapid access to information contained in the external stores.

38. When a decision on the foregoing has been made the following features of the equipment offered will require consideration before the final decision is reached:

(*a*) the capacity of the internal store;

(*b*) the speed of access to information contained in the internal store;

(*c*) the speed of the arithmetic unit in relation to the speeds of reading input, of transferring information to and from the store and of producing output media.

39. In addition, it will be necessary to have regard to the following:

(*a*) The service, if any, provided by manufacturers to assist with programming or any supply by them of standard programmes.

(*b*) The intended degree of utilization of the installation, the need for some marginal capacity against possible expansion and the possibility of multi-shift working.

(*c*) The possibility of offering spare capacity to other users on a service basis.

(*d*) The maintenance facilities provided by manufacturers.

(*e*) The degree of reliability attained by different equipment and the amount of time to be held in reserve each day in case of breakdown.

(*f*) The availability of similar equipment for use in emergency.

Staffing and Training

40. E.D.P. equipment relies for its operation upon certain specialist staff, relatively few in number, supported by staff skilled in the operation of the equipment ancillary to the computer. To the extent that the tasks of existing personnel are taken over by E.D.P. equipment there will be problems of redeployment of staff.

41. The manager responsible for the operation of an E.D.P. installation need not necessarily understand in complete detail the technical aspects of the computer and ancillary equipment, any more than the driver of

a motor-car need understand in complete detail the technicalities of the internal combustion engine and other parts of the vehicle. As in the case of the driver, some knowledge of the functioning of the equipment is clearly helpful and indeed advisable. Whoever is responsible should, however, be acquainted with the principles of programming and possess a knowledge of computer techniques. He should know what the equipment will do, its storage capacity and the most economical methods of using it and should be able to advise generally on the use of the installation.

42. Systems study and programming require specialized staff who are capable of examining clerical operations and procedures to decide how best they can be performed by a computer. Once reliable programmes have been established they can be of permanent use, though inevitably some amendments will be unavoidable from time to time. Programmes should only be amended by properly trained staff who will have regard to all the repercussions of any changes made. In most installations, therefore, it will be desirable to have permanently on the staff one or more persons who will be familiar with existing programmes and capable of preparing new programmes or amending the contents of existing programmes.

43. Computer operators are those who operate the control panel of the installation; they also load and unload input and output mechanisms. The operators will need to understand the programmes, the controls and the signals on the control panel of the computer.

44. The main body of the staff involved will be concerned with the scrutiny, control and coding of prime documents, the transfer of prime information to input, the verification of such input and the handling of output.

45. The services of engineers and technicians will be required for the maintenance of the E.D.P. equipment. This work may be performed by the manufacturers of the equipment or by specialist staff.

46. Operators normally undergo a course of training arranged by the suppliers of the equipment; in addition, most suppliers arrange courses of training for other levels of staff concerned with the equipment. A number of universities and technical colleges organize courses on the design and application of digital computers.

Economics of E.D.P.

47. When considering the economics of an E.D.P. installation, not only must the operating cost and the cost of the computer be taken into account, but also the cost of the ancillary equipment. The cost of the complete equipment may range from £50,000 to £250,000 or more and there will also be some or all of the following expenditures:

(*a*) The cost of the initial investigation to decide whether E.D.P. is worthy of detailed consideration.

(*b*) The cost of the systems study and programming; this cost can be very material as the study will take a number of man-years and not just man-months.

(*c*) The cost of alterations to buildings and the need for suitable ventilation and dust prevention.

(*d*) The cost of adapting the power supply to the requirements of the installation.

(*e*) The charge, if any, by the supplier for installing the equipment.

(*f*) The additional cost incurred by running the new and old systems in parallel for an initial period.

48. The equipment may be either purchased or hired. The annual rents charged by some manufacturers who hire out installations appear to be as much as a quarter or even a third of the cash price, though such rents usually include service and maintenance. Renting instead of buying may enable the user to change over to more advanced equipment more readily than would otherwise be the case. It must, however, be remembered that costly revision of the programmes may have to be undertaken should a change of equipment be made.

49. It is questionable whether the overall cost (including amortisation) of operating an E.D.P. installation will be any less than that of operating some alternative system except possibly where the alternative system involves the employment of very large numbers of staff on relatively routine operations. On the other hand the installation of E.D.P. will probably bring indirect advantages which cannot be evaluated precisely, for example, furnishing the management with information more readily than previously, thus enabling management decisions to be taken at an earlier stage. Furthermore, E.D.P. may make possible the production of useful information for management which, under existing systems of recording, either cannot be produced economically or cannot be produced with sufficient reliability in time to be of practical use. Such indirect benefits may well outweigh any direct additional expense which may result from installing E.D.P.

50. An organization whose accounting requirements alone would not justify the installation of E.D.P. may nevertheless install a computer for use on scientific, technical and other non-accounting work. If a computer installed for such work is not fully occupied thereon it may be an economic proposition to use some of its time for accounting purposes.

Advantages and Disadvantages of E.D.P.

51. The main advantages of E.D.P. over mechanical and other systems of processing business information are:

(*a*) Speed.

(*b*) The ability of the computer to follow instructions to direct and control, within itself, the flow of information which it is processing.

52. Once the instructions and the information are in the computer, most of its processing operations are carried out at speeds which are measured in thousandths of a second. Speed in the production of accounting information for planning and control purposes may be of the utmost importance. E.D.P. permits the production of reports much more rapidly than other existing methods, although the benefits to be obtained from such speedy methods should be weighed against the cost. The speed of producing reports is, however, subject to two principal limiting factors:

(*a*) The speed at which information can be coded, verified and transferred to the equipment.

(*b*) The speed at which output can be delivered from the equipment and printed.

53. The ability of the computer to follow instructions to direct and control the flow of information within itself gives powers of comparison and of selection much greater than those possessed by a purely mechanical system. This enables the programme to be so drawn as to instruct the computer to follow a certain sequence when given circumstances are encountered, thus permitting a selection to be made automatically. Because of this power of selection, printed output reports can be restricted to exceptions from predetermined standards and thus unnecessary information need not be produced.

54. The main disadvantages of E.D.P. are:

(*a*) During the period of installing E.D.P. –

- (i) The time and effort of the management and staff expended on the preparatory work required by the conversion to E.D.P. This is more pronounced in the case of a conversion to E.D.P. than in a conversion to any other system of processing business information because of the very detailed inquiries which have to be made. (It should, however, not be overlooked that as stated in paragraph 29 the cost of a systems study is not necessarily wasted, even though there is no conversion to E.D.P.)
- (ii) The inherent difficulties of any reorganization and the resistance to innovation, which may be magnified by the extent of the changes involved.

(*b*) When operating E.D.P. –

- (i) The absence of written records of many intermediate operations and results.
- (ii) The greater difficulty than under manual or mechanical systems of answering *ad hoc* inquiries requiring ready access to some detail of stored information, particularly at a time when the computer is processing other information. This sort of inquiry becomes particularly difficult to deal with and it may be impossible to give a reply within a reasonable period unless prime documents are carefully filed and cross-referenced. It is not impossible to interrupt the current processing to obtain information contained either in the record being processed or in any other record, but interruptions of this nature are undesirable and expensive. Where information is held on magnetic storage, special equipment may need to be provided for answering *ad hoc* inquiries.
- (iii) The inherent risks of centralization, including those of damage to the installation, reliance on key staff and difficulties of communication.
- (iv) The need for emergency arrangements in case of breakdown, although the chance of E.D.P. equipment being out of use for long periods for repairs is much reduced by reliable service facilities provided by manufacturers, and by the equipment being of unit construction. (The latter not only permits speedy replacement of defective units but facilitates testing for faults.)
- (v) The possible need to provide emergency power supply in case of power failure.

(*c*) When a change from the E.D.P. equipment in use to other E.D.P. equipment is considered desirable, the cost of preparing new programmes for use with the equipment to be installed. As indicated in paragraph 32, systems study and programming require a great deal of work by senior staff and specialists and the cost is in consequence very material.

55. E.D.P. may be a means of extending the integration of the processing of records required by a business and thereby eliminating duplication of effort. But an integrated system of processing is generally less flexible than a system in which there is little integration, because even a proposed minor change for a particular purpose may be held up as it would have repercussions on processing other important information.

ACCOUNTING PROBLEMS

Accuracy in Processing

56. The greatest care must be taken in the preparation of prime documents (including their batching and pre-listing) which contain information to be transferred to the computer. Such information must be transferred accurately to input media, such as punched cards, punched paper tape or magnetic tape, because once it has been transferred to the computer the information or any reassembly of it will not normally be recognizable until a report is printed. Thus it will not usually be possible during processing to notice any irregularity arising from an inaccuracy in:

(*a*) the prime information;
(*b*) its preparation as input;
(*c*) the transfer of input to the computer.

57. In E.D.P., as in other systems of processing business information, checks are required to ensure that processing is carried out accurately. Such checks as are normally used in a mechanized system, for example control totals, check lists and control accounts, will also be used with E.D.P. Furthermore, checks can be built into the computer or the ancillary equipment and other checks can be carried out by additions to programmes or by special programmes. Examples of these are:

(*a*) As a check that all information covered by a given pre-list has been dealt with – items not normally added (for example, payroll numbers) may be aggregated and compared with a pre-list total.

(*b*) As a check against the transposition or omission of numbers – various methods of 'scrambling' and/or 'casting out the nines', totalling the results and comparing them with a previously established total.

(*c*) As a safeguard against information on tape being processed with the wrong programme – an indication may be included at the beginning of each tape giving the reference of the programmes to be used with that tape and the sequence in which the tapes are to be used.

(*d*) As a check on calculations – calculation may first be performed and then reversed.

(*e*) As a further check on calculations – limits may be set on individual results, for example, maximum and minimum amounts of individual wages.

58. The foregoing are merely examples indicating how existing checks may be adapted to E.D.P.; under E.D.P., however, there is the advantage that the installation can be made to give an audible or visual sign and/or to stop in order to report errors revealed as a result of checks such as those outlined in the foregoing paragraph. If processing has been arranged in sections of limited size, so that records are produced at selected intervals, errors should be located quickly and remedied. Checks of this nature provided automatically are a safeguard but naturally they are not infallible. In particular they are no safeguard against errors in reading of input or recording output. As some safeguard against such errors some equipment is arranged to check-read the input before information is processed and to check-read the output before it is released.

59. Specific tests should be made both before and after processing with a given programme. These tests comprise the processing with the programme of comprehensive test data and the comparison of the results with previously established correct results. If the test reveals a difference then the information processed since the last test will be suspect and should be reprocessed. These tests are additional to the normal technical reliability tests.

60. As with mechanized accounting, the system of processing should be devised to provide controls external to the installation itself as proof that the results are correct; such controls may be by means of preliminary sorting, batching, totalling or testing. To create and maintain confidence in the installation it may be desirable to produce a certain amount of intermediate information to enable reports by the installation to be test-checked expeditiously against the prime information from which they are derived.

Internal Check

61. It will be necessary to be sure that essential checks imposed by a good system of internal check are retained when E.D.P. is employed. Internal check seeks on the one hand to prevent fraud by making it impossible unless there is collusion between two or more persons; on the other hand it also seeks to prevent errors of omission or commission by bringing the successive steps in the processing of information under the scrutiny of two or more persons and by the use of control totals.

62. The computer operator has control of the computer. Amongst the switches on its control panel are some which enable the operator to omit or add to or otherwise alter the information in the computer, and to divert the computer from the instructions in the programme to other instructions. The computer can thus be made to take in information or follow instructions given to it by the operator through the control panel and not through input media and approved programmes. This is of significance from the point of view of internal check, because in the absence of precautions no trace of such action by the operator would normally be left.

63. To overcome the difficulty described in the foregoing paragraph a device may be needed which makes a permanent record of any amendment which has been made by means of the switches on the control panel to information or to programmes in the computer. No such device has yet been developed.

64. There should also be recognized procedures for the correction of errors and for the amendment of programmes. In general, operators should be forbidden to correct errors or amend programmes by means of the switches on the control panel of the computer; instead appropriate correction and amendment routines should be laid down and there should be insistence on compliance with the routines.

65. An additional, if rather inconclusive, safeguard may be to make use of records which are normally kept and would be available for reference when necessary, containing details of the following:

(*a*) the times during which the computer is operating;
(*b*) the work performed by the computer;
(*c*) stoppages, the reasons therefor and the corrective action taken;
(*d*) the idle time of the computer and the reasons therefor;
(*e*) the movements of programmes and of stored information.

66. Although E.D.P. relies upon certain skilled persons, relatively few in number, the equipment can function only by the co-ordination of the services of persons with diverse skills, such as those of programmer, computer operator and operators of the ancillary equipment which is separate from the computer. In addition, there will be those who assemble prime information and pass it to those who operate the installation. There will also be those who receive information from the installation.

67. Thus, apart from the care required with regard to the use of the control panel by the computer operator, it still remains possible to arrange the duties of the staff in such a way as to minimize the risk of fraud. Organizations which acquire an E.D.P. installation will usually organize it as a service centre for all departments; such an arrangement will distinguish the duties of those who assemble and receive information from the duties of those who directly operate the installation. Where time is hired on an E.D.P. installation owned and operated by another organization there is a clear distinction between the duties of the organization's own staff and those of the staff of the owners of the E.D.P. equipment.

68. In considering the possibility of errors or irregularities it must be remembered that procedures which under other systems would be performed in different departments will under E.D.P. be replaced by the work of the one computer. The scrutiny of information by staff in different departments is thereby reduced. As stated in paragraph 56 any reassembly of information which has been transferred to the computer will not normally be available until a report is printed. Thus the visible 'step-by-step' methods of processing information usually found in manual and mechanical methods will disappear to the extent that information in the computer, or in some forms of external store, will not be recognizable.

69. Nevertheless, methods such as those outlined in paragraphs 57 and 58 will go some way towards ensuring that errors do not pass unnoticed. Moreover, the absence of visible 'step-by-step' methods does not apply to the marshalling of prime information before transfer to input media; internal check relies as much

upon the methods adopted at this early stage of the recording process as upon the procedures adopted later when information is in a form recognizable only by the computer.

Records

70. It is essential that there should be a reliable filing system of documents or other records containing prime information with the contents adequately cross-referenced and giving ready access to any item of prime information. These documents or records should be kept until no longer required for any purpose for verifying information held on them. Consideration must be given to the extent to which detailed records (such as individual debtor or creditor accounts or some equivalent thereof) need to be retained, particularly as it may be necessary to justify information to third parties, including a Court of law.

71. Some records of an organization using E.D.P. will be contained in the storage which holds standing information and such records may be, for example, magnetized spots on a piece of plastic tape. It is envisaged, however, that, although details may be kept in this way, totals will be entered in total accounts which will be used for control purposes and that it will be possible to print out essential details at any time.

72. When converting to E.D.P. it should be remembered that accountants' reports for prospectus purposes involve the investigation of accounts covering a long period, normally at least ten years. A statement on the preservation of records was issued by the Council in February 1957 as an addendum to Recommendation XVI of the *Recommendations on Accounting Principles* and it will be advisable for reference to be made to that recommendation before a final decision is made concerning the records to be retained by an undertaking.

THE AUDITOR AND E.D.P.

73. Most of the problems encountered by an auditor where E.D.P. is in use will be no different from those met where other forms of mechanized accounting are employed and reference should be made to *Mechanized Accounting and the Auditor*, published by the Institute in March 1949. The fact that an E.D.P. system is in operation makes no difference to the responsibilities of an auditor.

74. E.D.P. will not alter information appearing in ultimate records but may change radically the form of both intermediate and ultimate records and the means by which they are compiled. E.D.P. may also result in the elimination of intermediate records to an even greater extent than is possible with any mechanical system currently in use. Whilst it will remain possible for the auditor to verify accounts submitted to him and to examine the system of internal check, it may well be more difficult for him to do so. The method and techniques he may employ will require review.

75. The provision of records essential for audit purposes will need to be taken specifically into account in devising and designing the E.D.P. system. Hence it will be desirable that the auditor should be kept in touch with progress in designing the system and brought into consultation at the earliest possible stage so that his requirements may be known and provision made for them. From time to time changes will occur and as with other systems it will be desirable for the auditor to be consulted before any fundamental change is made. He will have to consider whether there is proper control over the use and amendment of programmes. He will have regard to the effectiveness of any of the built-in and other checks described in paragraphs 56 to 60.

76. Normally an organization which converts to E.D.P. will be large enough to arrange a sound system of internal check. In this respect the interests of management and of the auditor are identical for both will want to be sure that there is in operation a system designed to minimize error and prevent fraud. Unless the system of E.D.P. is well-designed and incorporates an adequate internal check the auditor's task may prove to be one of extreme difficulty.

77. As in any audit, the auditor will consider the adequacy of the system of internal check and in doing so will cover all sources of prime information and follow through to the stage at which information which has passed through E.D.P. becomes available for a report in conventional form. He will apply such tests as he considers necessary to satisfy himself that the system of internal check is operating efficiently. A mechanized (including E.D.P.) system of accounting usually affords the auditor a greater degree of assurance that the sample records tested by him are likely to be representative of the whole that is obtainable from a manual system.

78. For audit purposes an auditor need not acquaint himself with the electrical or engineering details of the installation. He is essentially concerned to satisfy himself, by such audit tests as he may devise, that the procedures adopted have produced records which reflect adequately and correctly for accounting purposes the transactions which should have been recorded. For this purpose he may find that he has to bridge substantial gaps between documents or other records containing prime information and intermediate or ultimate records. In a mechanized system of any kind these gaps exist, as indeed they do in some manual systems. In E.D.P. it is likely that these gaps will be greater than in other systems and in consequence the maintenance of interim control records becomes of greater importance for audit purposes. Provided the records kept are not less adequate than those indicated in paragraphs 70 to 72 and are suitably cross-referenced, there should be no insuperable difficulty in tracing the connection between an item in the accounts and the prime information from which it is derived.

79. In addition to routine records produced in accordance with paragraph 75, the auditor may need to request the *ad hoc* production of information for audit purposes. Where assistance is sought in this way the auditor must exercise care so as to avoid premature disclosure of his requirements.

80. The auditor will need to consider whether records are adequate for the purpose of the organization as well as for the purpose of his audit. Wherever accounting is by methods other than manual methods there is a tendency to rely upon loose-leaf records, files of documents and records which although printed, are in coded form. In considering such points it should be remembered that it may be necessary for the auditor to be in a position at a later stage to obtain information for special purposes, such as for a report to be set out in a prospectus.

Appendix A

BINARY SCALE OF NOTATION

The scale of notation in common use is the decimal or denary scale by which numbers below ten are recorded by one of the digits 0 to 9 and numbers above 9 are recorded by a combination of two or more of those digits.

The binary scale, however, has only two digits, 0 and 1, and numbers above 1 have to be recorded by a combination of those two digits. The practice adopted is similar to that used in decimal counting; for example, in the decimal system if 1 is added to 9 the answer in denary notation is 10, which is arrived at by remembering that '1 plus 9 gives 0 and carry 1'. Similarly, with the binary system if 1 is added to 1 the answer in binary notation is 10, arrived at by remembering that '1 plus 1 gives 0 and carry 1'. As 0 and 1 are the only two digits in the binary scale it is convenient for use with equipment which contains circuits which recognize whether (*a*) there is an electrical pulse; or (*b*) there is not an electrical pulse.

The first eleven numbers of the decimal and the binary scales are:

Decimal	Powers of 2				Binary
	2^3	2^2	2^1	Unit	
0	—	—	—	0	0
1	—	—	—	1	1
2	—	—	2^1	0	10
3	—	—	2^1	1	11
4	—	2^2	0	0	100
5	—	2^2	0	1	101
6	—	2^2	2^1	0	110
7	—	2^2	2^1	1	111
8	2^3	0	0	0	1000
9	2^3	0	0	1	1001
10	2^3	0	2^1	0	1010

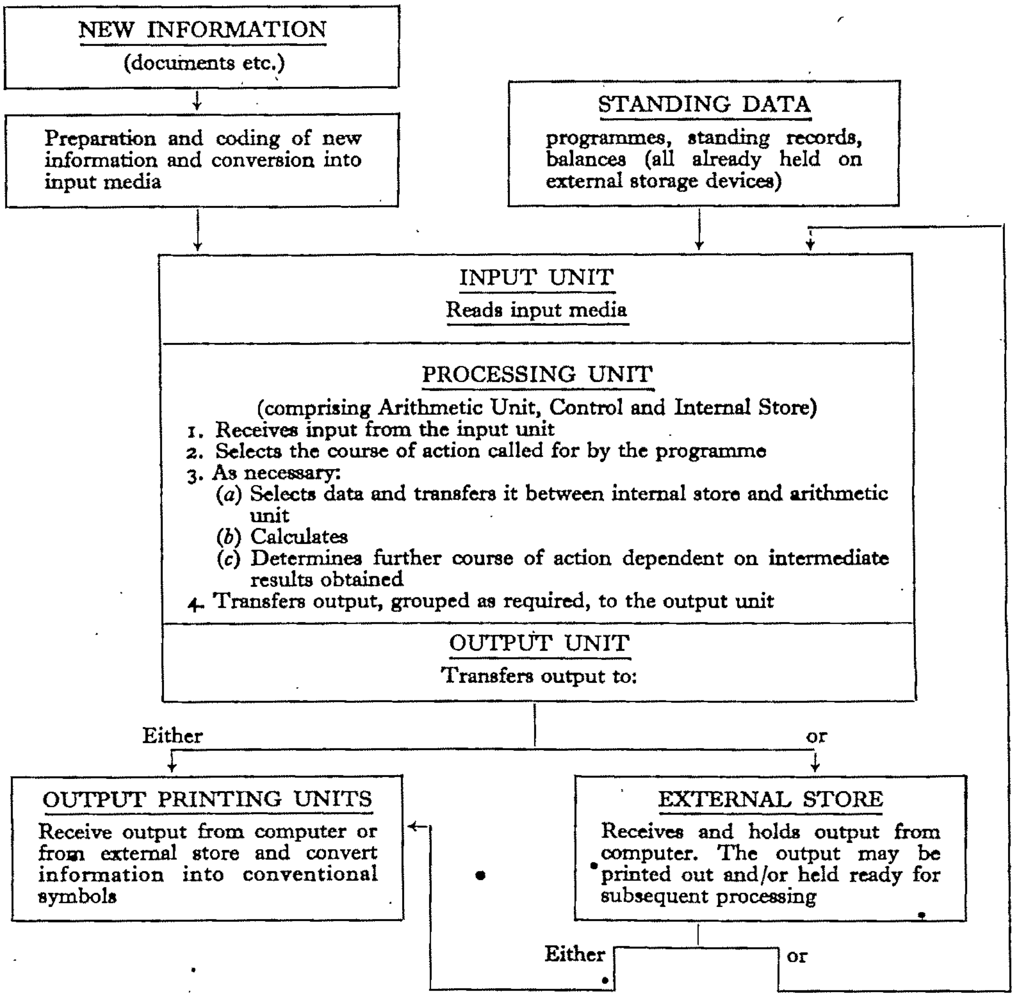
Example

In decimal notation 31 is equivalent to $16 + 8 + 4 + 2 + 1$
which can be expressed in powers of 2 as $2^4+2^3+2^2+2^1+1$
and in binary notation this becomes 1 1 1 1 1
so that 11111 in binary notation=31 in decimal notation.

Appendix B

SIMPLIFIED FLOW CHART

To illustrate:
(i) the flow of data through an E.D.P. installation, and
(ii) the action and output of the installation.


NEW INFORMATION
(documents etc.)
Preparation and coding of new information and conversion into input media
STANDING DATA
programmes, standing records, balances (all already held on external storage devices)
INPUT UNIT
Reads input media
PROCESSING UNIT
(comprising Arithmetic Unit, Control and Internal Store)
1. Receives input from the input unit
2. Selects the course of action called for by the programme
3. As necessary:
(a) Selects data and transfers it between internal store and arithmetic unit
(b) Calculates
(c) Determines further course of action dependent on intermediate results obtained
4. Transfers output, grouped as required, to the output unit
OUTPUT UNIT
Transfers output to:
Either
or
OUTPUT PRINTING UNITS
Receive output from computer or from external store and convert information into conventional symbols
EXTERNAL STORE
Receives and holds output from computer. The output may be printed out and/or held ready for subsequent processing
Either
or

Finance and Commerce

Modified Tax Basis

SOME company reports, especially when they refer to relations with the Inland Revenue provoke more than the usual amount of curiosity. One merely gets the end of the story – the way in which the decision that has been reached has affected the company's financial position. The history of the matter is quite properly locked up in the company's files.

Mr B. M. Mavroleon, chairman of The London and Overseas Insurance Company Ltd, touches on such a matter this year. He says that ever since the company was brought to the London market in 1942, and began to expand and develop, it has been bedevilled by two things: high taxation and investment depreciation. During the war years when the very high rates of taxation – including excess profits tax – would have made it difficult to build up reserves, the company was assessed on a basis which was very helpful. Now, however, the Revenue authorities have modified this basis with the result that the company has to provide a sum of nearly £450,000 for taxation, assessable over a period of six years in addition to its normal annual assessment. Part of the amount required already existed in the taxation account, but it has been thought proper to make a separate provision for the balance of £297,539.

Investment Depreciation

On the subject of depreciation, Mr Mavroleon says that a substantial part of the money which is invested became available during and in the years following the war when interest rates were low and security prices high. Now, with high interest rates, market value has fallen below book value and in the interests of prudent accountancy, it has been necessary to provide over the year no less than £350,000 to meet this.

The investments are almost entirely dated securities and will appreciate if held to maturity. Moreover, they have been arranged to minimize the possibility of forced sales. Actually, at the time the statement was prepared, there had already been a recovery of some £10,000. Fortunately, says Mr Mavroleon, the company has a fund from which these very large amounts can be provided.

Tankers

AS chairman, too, of London & Overseas Freighters Ltd, whose accounts for the year ended March 31st, 1958, we reprint this week, Mr Mavroleon brings some hard thinking on the subject of the depression in the shipping industry. 'In the absence of some world-shattering event beyond the power of man to foresee, the next two years', he says, 'will pass before a material change for the better will show itself in the tanker freight market.' The reason why he thinks the turn will not come sooner rests upon certain self-correcting factors inherent in the shipping industry which came into play in times of depression. They both work to reduce surplus available tonnage and thereby bring about some equilibrium between supply and demand and a consequent improvement in freight rates.

The first – the laying up and scrapping of uneconomic tonnage – may appear to be two separate processes but in fact, if present conditions continue, it is extremely doubtful whether any of the war-built, and older, tankers now laid up will ever be recommissioned. The second factor is the cancellation and postponement of building contracts.

In this context of shipbuilding, it may be suggested that the list of Tanker Fleet – thirteen vessels – showing date built and tonnage, with the addition of cost per ton would give more interest to Schedule 1 of the balance sheet which shows total cost plus additions, depreciation, and book value. From our simple arithmetic, shipbuilding costs would appear to have risen in the space of five years from about £40 to £60 per ton.

The London & Overseas Freighters, it may be noted, is one of the few shipping concerns whose accounts have been prepared without recourse to the Companies (Shipping Companies Exemption) Order, 1948, and in fact have been so presented ever since the company's shares were first quoted on the London Stock Exchange in 1951. It may be added that the company also issues regular quarterly figures, being the only shipping company, so far as we are aware, that gives this service to its shareholders.

No Comment

IT is a little surprising, we feel, that the chairman of The Trussed Concrete Steel Co Ltd makes no comment in his annual statement regarding the item in the company's accounts under the group heading of trade investments which reads 'Investment in associated company – £253,283' with a further £19,330 as 'Amount due from associated company'.

The company's auditors have taken the view that the book value of the trade investment is in excess of present value and have made their report subject to this qualification.

Where an auditors' report is so qualified, it may well be regarded as reasonable that the board should provide some explanation of the circumstances in either their report or the chairman's statement accompanying the accounts.

Next Week's Reprint

The reprint in next week's issue will be from the accounts of Singer & Friedländer Ltd.

LONDON & OVERSEAS FREIGHTERS LIMITED

NOTE 1.—DIRECTORS' AND AUDITORS' REMUNERATION:

	1957 £	1958 £
Directors—Executive Salaries	*12,447*	13,242
Fees	*6,762*	7,500
Auditors' Remuneration	*750*	750

NOTE 2.—TAXATION:

The charge for Taxation, which has been reduced by £419,287 (*£36,113*) by reason of Investment Allowances, is made up as follows:—

	1957 £	1958 £
Income Tax	*887,587*	275,947
Profits Tax	*280,250*	295,000
	1,167,837	570,947
Less: Taxation adjustments in respect of previous years	*7,077*	1,403
	1,160,760	569,544
Less: Amount transferred from Taxation Equalisation Reserve	*50,000*	35,000
	£1,110,760	£534,544

NOTE 3.—VESSELS ON ORDER:

The outstanding liability under Building Contracts at 31st March, 1958 is estimated at £17,725,000 (*£13,901,985.*)

NOTE 4.—TRADE INVESTMENTS:

The amount of £1,288,607 comprises the Company's holdings of 50 per cent. of the share capital of the following Companies:

	£
Austin & Pickersgill, Ltd.	
150,000 Ordinary Shares of £1 each fully paid .. .. 150,000 Preference Shares of £1 each fully paid	536,107
*London and Overseas Tankers, Ltd. 750,000 Shares of £1 each fully paid	750,000
*London and Overseas Bulk Carriers, Ltd. 2,500 Shares of £1 each fully paid	2,500
Balance at 31st March, 1958	£1,288,607

**Incorporated in Bermuda.*

NOTE 5.—SECURED LIABILITIES:

The sum of £3,375,000 shown in the Balance Sheet represents £45 paid in every £100 of an issue of £7,500,000 Debenture Stock issued at a discount of 2½ per cent., the remaining instalments being receivable as follows:

15th January, 1959 .. .. £25 0s. 0d.
15th January, 1960 .. .. £27 10s. 0d.

The Debenture Stock is secured by a fixed and floating charge on the assets and undertaking of the Company.

Interest at the rate of 6 per cent. per annum is payable on the Stock or on the amount for the time being paid up thereon, together with further interest at a rate of ½ per cent per annum on the amount of the Stock not for the time being due to be paid up.

The Debenture Stock is redeemable at or below par by the annual application of a Cumulative Sinking Fund commencing 1st February, 1962, so that the Stock will be finally redeemed on the 31st March, 1982. The Company has an option to redeem the Debenture Stock at any time after 31st March, 1963, at a premium calculated in accordance with the terms of the Trust Deed.

The Security for the amount of £1,500,000 advanced by the Company's Bankers is a fixed and floating charge on the undertaking and assets of the Company, ranking *pari passu* with the security for the Debenture Stock.

NOTE 6.—SPECIAL SURVEYS:

Provision for Special Surveys has varied as follows:

	1957 £	1958 £
Balance at 31st March, 1957	*124,155*	128,333
Expenditure during the Year	*9,334*	10,979
	114,821	117,354
Less: Provision made in excess of requirements in respect of vessel sold during the year	*17,500*	—
	97,321	117,354
Amount transferred from Profit and Loss Account for the Year ended 31st March, 1958	*31,012*	63,477
Balance at 31st March, 1958	*£128,333*	£180,831

NOTE 7.—CAPITALISATION OF RESERVES:

By Resolution dated 8th July, 1957 the share capital of the Company was increased to £5,000,000 by the creation of 4,000,000 Ordinary Shares of 5s. each.

An amount of £1,000,000, being £500,000 from Capital Reserve and £500,000 from the balance standing to the credit of Profit and Loss Account, was capitalised and the additional shares were issued as fully paid in the proportion of one share for every four held.

NOTE 8.—CAPITAL RESERVE:

Capital Reserve has varied as follows:

	1957 £	1958 £
Balance at 31st March, 1957	*1,513,811*	1,049,302
Less: Amount Capitalised in July, 1957	*750,000*	500,000
	763,811	549,302
Add: Excess of Proceeds of Sale over Cost Price of vessel sold	*334,850*	—
	1,098,661	549,302
Less: Stamp Duty and Expenses of Issue of Shares and Debenture Stock	*49,359*	27,402
Balance at 31st March, 1958	*£1,049,302*	£521,900

NOTE 9.—CONTINGENT LIABILITIES:

The Company has given guarantees in respect of the performance of certain building contracts entered into by London and Overseas Tankers, Ltd. and in respect of a Charter Party entered into by London and Overseas Bulk Carriers, Ltd.

SCHEDULE I FLEET AND DEPRECIATION

	Cost, including Additions, to 31st March, 1958.	Depreciation to 31st March, 1958.	As per Balance Sheet at 31st March, 1958.
TANKERS:			
OWNED THROUGHOUT THE YEAR:—	£	£	£
m.t. "LONDON PRIDE"	683,671	319,884	363,787
m.t. "LONDON VICTORY"	882,388	333,029	549,359
m.t. "LONDON GLORY"	685,903	258,735	427,168
m.t. "LONDON ENDURANCE"	689,484	256,929	432,555
m.t. "LONDON MAJESTY"	901,196	320,295	580,901
m.t. "LONDON SPIRIT"	733,538	261,802	471,736
m.t. "LONDON SPLENDOUR"	1,111,153	356,728	754,425
m.t. "LONDON LOYALTY"	1,039,652	274,394	765,258
m.t. "LONDON PRESTIGE"	1,172,752	285,402	887,350
m.t. "LONDON INTEGRITY"	1,074,633	201,498	873,135
t.t. "LONDON VALOUR"	1,514,206	126,145	1,388,061
ACQUIRED DURING THE YEAR:—			
t.t. "LONDON TRADITION"	1,611,937	33,583	1,578,354
t.t. "LONDON RESOLUTION"	1,600,788	25,013	1,575,775
	£13,701,301	£3,053,437	£10,647,864

TANKER FLEET

	Built	*D.w.t.*
m.t. "LONDON PRIDE"	1950	16,325
m.t. "LONDON VICTORY"	1952	18,100
m.t. "LONDON GLORY"	1952	15,347
m.t. "LONDON ENDURANCE"	1952	15,347
m.t. "LONDON MAJESTY"	1952	18,070
m.t. "LONDON SPIRIT"	1952	15,330
m.t. "LONDON SPLENDOUR"	1953	24,600
m.t. "LONDON LOYALTY"	1954	17,960
m.t. "LONDON PRESTIGE"	1954	24,600
m.t. "LONDON INTEGRITY"	1955	17,930
t.t. "LONDON VALOUR"	1956	24,900
t.t. "LONDON TRADITION"	1957	24,950
t.t. "LONDON RESOLUTION"	1958	24,900
		258,359

LONDON & OVERSEAS FREIGHTERS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st March, 1958

1957 £	£		£	£
3,515,346		**OPERATING SURPLUS**		2,969,204
		Less:		
	31,012	Provision for Special Surveys	63,477	
652,980	*621,968*	Depreciation of Fleet	714,633	778,110
2,862,366				2,191,094
		Add:		
		Other Income:		
	—	Trade Investments	31,500	
—	—	Interest	29,298	60,798
2,862,366				2,251,892
		Less:		
	101,988	Administrative Expenses (Note 1)	122,258	
	28,125	Debenture Interest	155,435	
	57,648	Bank and other Interest	3,076	
190,696	*2,935*	Depreciation of Furniture, Fixtures, Fittings, Office Machinery and Motor Cars	13,282	294,051
2,671,670		**PROFIT FOR THE YEAR BEFORE TAXATION**		1,957,841
		Less:		
1,110,760		Taxation (Note 2)		534,544
1,560,910		**PROFIT FOR THE YEAR AFTER TAXATION**		1,423,297
		Less:		
		Dividends on Ordinary Shares for the year ended 31st March, 1958:		
	230,000	Interim Dividend of 6d. per share, *less tax*	287,500	
460,000	*230,000*	Proposed Final Dividend of 6d. per share, *less tax*	287,500	575,000
1,100,910				848,297
		Add:		
		Provisions made in excess of requirements in respect of vessel sold during year:		
	260,159	*Depreciation*	—	
277,659	*17,500*	*Special Surveys*	—	—
1,378,569				848,297
	1,358,258	**BALANCE AT 31st MARCH, 1957**	1,986,827	
		Less:		
608,258	*750,000*	Amount capitalised in July, 1957 (Note 7)	500,000	1,486,827
£1,986,827		**BALANCE AT 31st MARCH, 1958**		£2,335,124

LONDON & OVERSEAS FREIGHTERS LIMITED

BALANCE SHEET

as at 31st MARCH, 1958

1957 £	£		£	£	£
		FIXED ASSETS			
		Fleet (Schedule 1)			
	10,456,908	Tankers at Cost		13,701,301	
	2,338,803	*Less:* Depreciation to date		3,053,437	
	8,118,105			10,647,864	
	1,958,015	Payments on Vessels on Order (Note 3)		1,017,395	
10,076,120				11,665,259	
	36,014	Furniture, Fixtures, Fittings, Office Machinery and Motor Cars at Cost	65,181		
	20,062	*Less:* Depreciation to date	32,761		
15,952				32,420	
1,287,747		Trade Investments at Cost (Note 4)		1,288,607	
11,379,819					12,986,286
		CURRENT ASSETS			
	24,661	Cash		2,536,418	
	1,042,391	Debtors, Agents' Accounts, Payments in Advance, Stocks and Open Voyage Accounts		679,003	
1,067,052					3,215,421
12,446,871		**TOTAL ASSETS**			16,201,707
		LESS:			
		SECURED LIABILITIES (Note 5)			
	1,500,000	First Mortgage Debenture Stock		3,375,000	
	16,172	*Interest accrued thereon*		—	
	375,000	Amount advanced by the Company's Bankers		1,500,000	
	1,891,172			4,875,000	
		CURRENT LIABILITIES AND PROVISIONS			
	393,925	Creditors and Accrued Expenses	427,252		
	128,333	Provision for Special Surveys (Note 6)	180,831		
	317,312	Taxation	734,100		
	230,000	Proposed Final Dividend	287,500		
				1,629,683	
		DEFERRED LIABILITY			
	900,000	United Kingdom Taxation		325,000	
3,860,742					6,829,683
£8,586,129		**TOTAL NET ASSETS**			£9,372,024
		SHARE CAPITAL			
		Authorised and Issued:			
4,000,000		20,000,000 Ordinary Shares of 5s. each fully paid (Note 7)			5,000,000
1,049,302		**CAPITAL RESERVE** (Note 8)			521,900
5,049,302					5,521,900
		REVENUE RESERVES AND SURPLUS			
	1,550,000	Taxation Equalisation Reserve		1,515,000	
	1,986,827	Profit and Loss Account		2,335,124	
3,536,827					3,850,124
£8,586,129		**SHAREHOLDERS' INTEREST**			£9,372,024

BASIL M. MAVROLEON } *Directors.*
J. E. G. KULUKUNDIS

CITY NOTES

THE stock-markets have been slow to respond to the Chancellor's freer credit moves. After an immediate marking-up of prices, the markets have failed to make any further appreciable headway, apart from a general strengthening of the gilt-edged section, on hopes that a further Bank rate cut is now within the bounds of possibility.

Broadly, however, investment reaction has been the natural one that the new credit moves will take some considerable time to work through the economy. It is one thing to make credit easier and another to create an atmosphere of confidence in which freer credit may be used.

There has been wide approval of the 'special deposits' system to be introduced as an ally to Bank rate and the banks view the system as a small price to pay for the greater operational freedom granted to them from the end of this month.

Meanwhile the pressure of new capital issues continues heavy and the failure of the Liverpool and Jamaica loans indicates the limited amount of investment money available for such issues unless the offer terms are very favourably pitched. The institutions, it may be noted, are still able to obtain a 6 per cent return on first-class industrial debentures.

Much of the raising of new permanent capital by industry in the past year has been carried out in order to reduce bank borrowing. It is possible that with bank loans more readily obtainable the industrial new issue pressure may ease to some extent.

RATES AND PRICES

Closing prices, Wednesday, July 9th, 1958

Bank Rate

Jan. 27, 1955	3½%	Sept. 19, 1957	7%
Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%

Treasury Bills

May 2	£5 1*s* 1·93*d*%	June 6	£4 14*s* 5·72*d*%
May 9	£5 3*s* 10·81*d*%	June 13	£4 10*s* 1·77*d*%
May 16	£5 3*s* 11·49*d*%	June 20	£4 5*s* 9·63*d*%
May 23	£4 16*s* 5·96*d*%	June 27	£4 5*s* 10·67*d*%
May 30	£4 16*s* 3·84*d*%	July 4	£4 3*s* 5·23*d*%

Money Rates

Day to day	3¼–4⅛%	*Bank Bills*	
7 days	3¼–4%	2 months	4¼–4 5/16%
Fine Trade Bills		3 months	4¼–4 5/16%
3 months	5–5¼%	4 months	4¼–4 5/16%
4 months	5–5¼%	6 months	4¼–4⅜%
6 months	5¼–6%		

Foreign Exchanges

New York	2·80 7/16–½	Frankfurt	11·68–[illegible]
Montreal	2·68 15/16–·69	Milan	1739–½
Amsterdam	10·56⅜–⅞	Oslo	20·00⅛–¼
Brussels	139·17½–·22½	Paris	1173½–4
Copenhagen	19·33¾–·34	Zurich	12·21⅜–⅝

Gilt-edged

Consols 2½%	50⅞	Funding 4% 60–90	87¾
Consols 4%	74x.d.	Savings 2½% 64–67	81 11/16
War Loan 3½%	67 5/16	Savings 3% 55–65	88 15/16 x.d.
Conversion 3½%	67¼	Savings 3% 60–70	79
Conversion 3½%, 1969	86¾	Savings 3% 65–75	72½x.d.
Exchequer 5½% 1966	103 3/16	Treasury 2½%	50
Funding 3% 66–68	82⅛x.d.	Treasury 3½% 77–80	76
Funding 3% 59–69	81½	Treas'ry 3½% 79–81	74⅞x.d.
F'nding 3½% 99–04	71 13/16 x.d.	Victory 4%	94

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Examination Problem

SIR, – Your correspondent (June 28th issue) must bear in mind that examination questions are always carefully designed with a view to enabling a candidate to show how much he knows.

On reading this question the candidate should ask himself 'What is the object of this question?' If he really knows anything about executorship he will quickly see that a question of equitable apportionment is involved, to wit, *Allhusen v. Whittell.*

A reference to *Allhusen v. Whittell* would surely notch up a mark or two. He might cadge an extra mark if he managed to spell 'Whittell' correctly.

Further, it seems to me that since the net yield of the estate is almost exactly 4 per cent, one could gain high marks with a simply worded statement on the lines of the following:

> If the will excludes the application of the rule in *Allhusen v. Whittell,* either specifically or together with other equitable apportionments, the life-tenant will receive £2,720; some executors might seek to deduct £200 in respect of estate duty interest, but the writer would resist such an attempt.
>
> If the will in question does not exclude the application of the equitable rule known as *Allhusen v. Whittell* (1867) as amended by *Re McEuen* (1913) – since in the present case the debts etc. are discharged within a year of the death – a deduction will have to be made from the £2,720.
>
> The object of this is to ensure that the life-tenant does not receive more than the income on the true residue, bearing in mind that the residue is not ascertained until the debts etc. are paid.
>
> The theory envisaged in *Allhusen v. Whittell* is that a capital sum is set aside at the date of death, which, together with the income derived from it, will exactly provide for the debts when they are paid. Similarly a fund is notionally set aside for any pecuniary legacies and testamentary expenses, which expression includes estate duty on personalty.
>
> In the absence of agreement between the parties the calculations under *Allhusen* should be based on a rate of interest equal to the actual income produced

by the estate (*Re Wills* (1915)). It is assumed that in the present case there are no non-income producing investments. If this is so, the net yield (i.e. after deduction of income tax) is almost exactly 4 per cent.

'Accordingly one can say outright that the life-tenant will receive at least 4 per cent on £40,000, i.e. *£1,600* net cash. The balance of £1,120 will be retained towards the debts, testamentary expenses and legacies, but this increases the residue from £40,000 to £41,120, 4 per cent of which is *£1,644* and this is approximately the amount due to the life-tenant.'

This figure of £1,644 is a little too much. The error arising from the fact that the rate of interest earned by the estate is, in fact, a shade less than 4 per cent. (It seems from the figures which emerge that the capital proportion was not reinvested and so this part of the estate produced nothing during the latter part of the year.) Such a reinvestment is not, of course, a practical proposition.

If the yield was 1 per cent the income would be £680 made up as below:

The actual income is £2,720, i.e. 4 × £680.

£125,000	for 2 months	at 1 per cent	= $\frac{\pounds1,250}{6}$	= £208
£65,000	,, 4 ,,	1 ,,	= $\frac{\pounds650}{3}$	= 217
£59,600	,, 3 ,,	1 ,,	= $\frac{\pounds596}{4}$	= 149
£43,600	,, 2 ,,	1 ,,	= $\frac{\pounds436}{6}$	= 72
£40,000	,, 1 ,,	1 ,,	= $\frac{\pounds400}{12}$	= 34
				£680

This table, however, assumes that the whole of the debts etc. are charged to capital, but this is not the case. The yield is, near enough, 4 per cent.

If the calculations are carried out (at leisure), taking into account that the sum 'set aside' at the date of death will be a little less than the amount of the actual payment, the following figures emerge:

	Income		£2,720
	Deduct for *Allhusen*:	*Approx.*	
(1)	4 per cent on £59,602 for 2 months	£398	
(2)	,, £5,294 ,, 6 ,,	106	
(3)	,, £15,534 ,, 9 ,,	466	
(4)	,, £3,472 ,, 11 ,,	128	
			1,098
	Due to life-tenant		£1,622

These figures do not take very long to calculate, but I trust the foregoing will encourage candidates who are pressed for time to realize that a knowledge of the principles involved is of greater importance than the ability to calculate.

The yield of 4 per cent *net* might be thought to confuse the mind; I think there is something in this.

Yours faithfully,

New Malden, Surrey. CYRIL A. WILLIAMS.

[The decision in *Re Wills* laid down that the average rate of interest earned by the estate in the year must be found. To avoid the assumption made by Mr Williams this may be computed as follows:

Jan. 1 – Feb. 28: 2 mths. at £125,000 =	£250,000
Mar. 1 – June 30: 4 mths. at £65,000 =	260,000
July 1 – Sept. 30: 3 mths. at £59,600 =	178,800
Oct. 1 – Nov. 30 2 mths. at £43,600 =	87,200
Dec. 1 – Dec. 31: 1 mth. at £40,000 =	40,000
	£816,000
Average $\frac{\pounds816,000}{12}$	£68,000
Rate of interest for year $\frac{\pounds2,720}{\pounds68,000}$	.. 4 per cent

The amount of the payments to be borne by income is:

Estate duty and interest	$\frac{\frac{2}{3}}{100\frac{2}{3}}$ of £60,000	..	£398
Debts	$\frac{2}{102}$ of £5,400	..	106
Legacies	$\frac{3}{103}$ of £16,000	..	466
Expenses	$\frac{3\frac{2}{3}}{103\frac{2}{3}}$ of £3,600	..	127
			£1,097

Amount payable by life-tenant £(2,720 – 1,097) = £1,623. – EDITOR.]

Too Tall a 'Top Hat'

SIR, – The article in your issue of June 28th, on the *Dracup* case, suggests that the decision reached by the General Commissioners and upheld by Mr Justice Harman, has introduced a new principle. It is doubtful whether this decision has, in fact, caused general concern, since in the great majority of cases no difficulty arises. For several years it has been understood that the Inland Revenue may approve a 'top hat' scheme under Section 388 (1) of the Income Tax Act, 1952, without allowing the premiums as expenses for Schedule D purposes under Section 137. This arises, for example, where a director and his close relatives have *de facto* control over the company.

Approval under Section 388 (1) is the responsibility of the Superannuation Division on behalf of the Commissioners of Inland Revenue at Somerset House, and is one of the means of preventing liability to tax under Section 386, which provides for the addition of the annual costs of the scheme to the director's or employee's income for the purpose of determining his amount of tax. On the other hand, approval of premiums as expenses under Section 137 is the responsibility of the General Commissioners and, although they, no doubt, work in close collaboration with the Superannuation Division, there is nothing in the Income Tax Act, 1952, to suggest that approval under Section 388 (1) automatically implies allowance of the premium under Section 137.

When a new 'top hat' arrangement is contemplated in a doubtful case where the director's or employee's family hold a substantial proportion of the shares, it is usually advisable to submit full details of the shareholding position to the Inland Revenue before the arrangement starts.

Yours faithfully,

London, E11. I. A. BROWN.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At a meeting of the Council held on Wednesday, June 18th, 1958, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr W. L. Barrows, President, in the chair; Mr C. U. Peat, M.C., Vice-President; Messrs H. Garton Ash, O.B.E., M.C., C. P. Barrowcliff, J. H. Bell, H. A. Benson, C.B.E., W. G. Campbell, W. S. Carrington, D. A. Clarke, C. Croxton-Smith, W. G. Densem, S. Dixon, P. F. Granger, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, H. L. Layton, W. E. Parker, C.B.E., S. J. Pears, F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs G. F. Saunders, C. M. Strachan, O.B.E., E. D. Taylor, G. L. C. Touche, A. D. Walker, M. Wheatley Jones, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., Sir Richard Yeabsley, with the Assistant Secretaries.

The Late Gilbert D. Shepherd, M.B.E., F.C.A.

The Council received with great regret notice of the death of Mr Gilbert David Shepherd, M.B.E., F.C.A., Cardiff, a member of the Council from 1929 to 1957 and President for part of the year 1946–47 and for the year 1947–48.

Honours

The Council congratulated three members of the Council on the Honours conferred upon them in the Birthday Honours List. Mr W. S. Carrington is to be created a Knight Bachelor, Mr R. P. Winter was appointed a Commander of the Order of the British Empire and Mr E. Baldry an Officer of the Order of the British Empire.

Members' Handbook

The Council settled a number of matters for inclusion in the new *Members' Handbook* which is to be issued later in the year.

At special and ordinary meetings of the Council held on Wednesday, July 2nd, 1958, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr W. L. Barrows, President, in the chair; Mr C. U. Peat, M.C., Vice-President; Messrs H. Garton Ash, O.B.E., M.C., E. Baldry, O.B.E., T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., J. Blakey, W. G. Campbell, P. F. Carpenter, W. S. Carrington, G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, A. S. H. Dicker, M.B.E., S. Dixon, W. W. Fea, Sir Harold Gillett, M.C., Messrs J. Godfrey, P. F. Granger, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., T.D., R. McNeil, Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs G. F. Saunders, K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, G. L. C. Touche, A. D. Walker, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Re-admission

One application for re-admission to membership was acceded to.

Exemption from the Preliminary Examination

One application under bye-law 79 for exemption from the Preliminary examination was acceded to.

Exemption from the Intermediate Examination

(*a*) One application under bye-law 63 for exemption from the Intermediate examination was not acceded to.

(*b*) One application under bye-law 85 (*b*) for exem tion from the Intermediate examination was n acceded to.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Taxation and Research Committee

The following members were re-appointed by the Council to serve on the Taxation and Research Committee for the year commencing October 1st, 1958:

Messrs T. F. Birch, L. H. Clark, H. O. H. Coulson, S. M. Duncan, W. F. Edwards, A. R. English, W. S. Hayes, G. P. Morgan-Jones, L. Pells, D. W. Robertson, W. G. A. Russell, A. E. Spicer.

Admission Fee Payable on Admission to Membership as an Incorporated Accountant

The Council decided that the following statement b published as part of the proceedings of the Council:

> 'The Council made the following regulation under bye-law 120 at its meeting on May 7th, 1958:
>
> ' "That each person admitted to membership as an incorporated accountant member pursuant to the Scheme of Integration referred to in clause 34 of the supplementary Royal Charter (other than persons eligible under clause 4 of the said scheme and persons who may be admitted under clause 5 of the said scheme) shall pay an admission fee of ten guineas."
>
> '*Note.* – Clause 4 relates to persons who were members of the Society on the effective date; clause 5 relates to persons who have been members of the Society but were not members on the effective date. As stated in the regulation it does not apply to these persons; no admission fee is payable on admission under clause 4, while under clause 5 admission is at the discretion of the Council on such terms and conditions as the Council may consider appropriate. The regulation therefore applies only to former bye-law candidates and articled clerks of the Society who are admitted to membership as incorporated accountants and it requires them to pay the same admission fee as that payable on admission as associate.'

Accounting by Electronic Methods

On the report of the Parliamentary and Law Committee, following consideration of a memorandum submitted by the Taxation and Research Committee, the Council has approved a statement entitled *Accounting by Electronic Methods*[1]. This statement will be issued to all members later this year as part of the new *Members' Handbook*. Meanwhile the statement has been printed in booklet form and copies may be obtained, by members and others who may be interested, on application to the offices of the Institute at Moorgate Place, London, EC2. The post-free price of the booklet is 2*s* 6*d* and remittances must accompany orders.

Certificates of Practice

The Council received notice that the following members have commenced to practise:

Atkins, Eric James George; A.C.A., 1958; (S. 1955); (C. N. Walter, Lester & Co), Finsbury Pavement House, 120 Moorgate, London, EC2.
Beattie, Robert Barham; A.C.A., 1958; (S. 1940); (Leech, Evans & Co), Coventry House, 3 South Place, Moorgate, London, EC2, and at Coventry.
Bedford, Arthur; A.C.A., 1953; (Griffin Stone, Moscrop & Co), 21 Manchester Square, London, W1.
Bright, Mervyn James; A.C.A., 1958; 174 Herbert Avenue, Parkstone, Poole, Dorset.
Buckley, Frank; A.C.A., 1952; (John W. Hirst & Co), 28 Queen Street, Albert Square, Manchester, 2.
Butters, Peter Sydney; A.C.A., 1958; (P. S. Butters & Co), 98 Albany Street, Regent's Park, London, NW1.
Callis, Sidney, B.SC.(ECON.); A.C.A., 1958; 3A/235 Sussex Gardens, London, W2.
Child, Percy George; A.C.A., 1958; (S. 1923); 38/39 Hastings House, Norfolk Street, Strand, London, WC2.
Frankel, Mervyn Richard; A.C.A., 1957; (Anderson, Thomas, Frankel), 13 Park Place, St James's, London, SW1, and at Conway.
Green, Thomas Harold David; A.C.A., 1957; (Rutherfords), 8 Eccleston Square, London, SW1.
Grenfell, Nicholas; A.C.A., 1951; (Scot Simmonds & Co), Bank Buildings, 72 High Street, Teddington, Middlesex.
Harper, Laurance George; A.C.A., 1954; 93 Papist Way, Cholsey, Berks.
Harvey, Derek Roy; A.C.A., 1958; (S. 1957); (*Halford & Harvey), 35 Exchange Street, Norwich.
Hesketh, William; A.C.A., 1958; (S. 1953); (Astley, Hesketh & Co), 3 Richmond Terrace, Blackburn, and at Darwen.
Highmore, Ernest Arthur; A.C.A., 1958; (C. N. Walter, Lester & Co), Finsbury Pavement House, 120 Moorgate, London, EC2.
Hooper, William John; A.C.A., 1958; (S. 1957); (Hooper & Smith), 63 Coppice Road, Finchfield, Wolverhampton, and at Brownhills.
Howard, Raymond Arthur; A.C.A., 1958; (S. 1956); (Hackett & Oliver), 18 Greenfield Crescent, Edgbaston, Birmingham, 15.
Jee, John Frederic; A.C.A., 1953; (Major & Co), 89 Cornwall Street, Birmingham, 3, and at Hinckley and Walsall.
Lawson, Alexander Edward; A.C.A., 1948; (Black, Geoghegan & Till), 67 Watling Street, London, EC4, and at Guernsey.
May, John Whiteley Howard; A.C.A., 1957; (Arnold Hill & Co), Sardinia House, 52 Lincoln's Inn Fields, Kingsway, London, WC2.
Pardoe, Bernard Frederick Jones, M.A.; A.C.A., 1955; (Black, Geoghegan & Till), 67 Watling Street, London, EC4, and at Guernsey.
Pearse, William Richard George; A.C.A., 1951; (Goodland, Bull & Co), Bridgwater House, Corporation Street, Taunton, Somerset, and at Tiverton.
Peskey, Walter William; A.C.A., 1958; (S. 1953); 33 Newstead Street, Chanterlands Avenue, Hull.
Price, Edward Granville; A.C.A., 1958; (S. 1948); (T. A. Gittins & Co), 28 Salop Road, Oswestry.
Prosser, Geoffrey, B.SC.(ECON.); A.C.A., 1953; (Henderson & Co), 3 Albemarle Street, London, W1.
Rowe, Bernard, B.A.; A.C.A., 1958; (R. H. Jeffs & Rowe), 8 St John's Square, Cardiff, and at Pontypridd.
Sunter, Michael Calvert; A.C.A., 1954; (Lloyd Williams & Sunter), Midland Bank Chambers, High Street, Wrexham.
Thomas, Gervase Alan, B.A.; A.C.A., 1957; (Anderson, Thomas, Frankel), 13 Park Place, St James's, London, SW1, and at Conway.
Twaddle, William Simon; A.C.A., 1958; (S. 1956); (Thomas Rodger & Co), 21 Ellison Place, Newcastle upon Tyne, 1, and at Seahouses.
Ware, Geoffrey, D.F.C.; A.C.A., 1949; (Goodland, Bull & Co), Bridgwater House, Corporation Street, Taunton, Somerset, and at Tiverton.
Webb, James Maurice; A.C.A., 1958; (S. 1955); (Starbuck, Stone & Co), Bank Chambers, 47 Temple Row, Birmingham, 2.
Woods, Fred; A.C.A., 1938; (Davies & Crane), 5 Winckley Street, Preston.
Woods, Thomas Joseph; A.C.A., 1958; (S. 1954); (*Wickham, Hunt & Co), 32A Bucklersbury, Hitchin, Herts.

Election to Fellowship

(*a*) Seven applications from associates for election to fellowship under clause 6 of the Supplemental Charter (bye-law 31) were acceded to.

(*b*) Eight applications from associates for election to fellowship under clause 3 (*b*) of the scheme of integration referred to in clause 34 of the Supplemental Charter were acceded to.

A list of those who complete their fellowship before July 15th will appear in *The Accountant* of July 19th, 1958.

Incorporated Accountant Members

Applications from the following Incorporated Accountant members, A.S.A.A., to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the Supplemental Charter were acceded to:

Bhatia, Shanker Mulji, B.COM.; (1958); A.S.A.A., 1952; (Gondalia & Mandviwalla), Hamam House, Hamam Street, Fort, Bombay, India.
Gordon, Rael; (1958); A.S.A.A., 1952; (*A. Rosenberg, Shoolman & Gordon), P.O. Box 4545, Cape Town, South Africa.
Ward, Sydney; (1958); A.S.A.A., 1939; Borough Treasurer and Accountant, Wanstead and Woodford Borough Council, Snaresbrook House, 2 Woodford Road, London, E18.

Admission to Membership

It was resolved:

(*a*) That one applicant be admitted as an associate under clause 5 of the Supplemental Charter (bye-law 31).

(*b*) That eleven applicants be admitted to membership under clauses 9 to 12 of the scheme of integration referred to in clause 34 of the Supplemental Charter.

A list of those who complete their membership

'S' means year of admission to membership of the Society. Firms not marked † or * are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

[1] The statement is reproduced elsewhere in this issue.

before July 15th will appear in *The Accountant* of July 19th, 1958.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from 29 members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the Supplemental Charter. All the new members have been notified. The total number of members now admitted under the scheme is 10,001.

Resignation

The Council accepted the resignation from membership of the Institute of:

Maddox, John, A.C.A., Cwmbran, Mon.

Registration of Articles

The Secretary reported the registration of articles of clerkship as follows:

	1958	*1957*
June	84	51
January to June	1,050	593

Chairmen and Vice-Chairmen of Committees

The Secretary reported the appointment of the following Chairmen and Vice-Chairmen of committees for the ensuing year:

Committee	*Chairman*	*Vice-Chairman*
Applications	G. F. Saunders	R. P. Winter
Articled Clerks	E. F. G. Whinney	M. Wheatley Jones
District Societies	C. M. Strachan	P. F. Granger
Finance	G. L. C. Touche	Sir Harold Gillett
General Purposes	W. S. Carrington	W. H. Lawson
Investigation	D. V. House	P. F. Granger
Library	T. A. H. Baynes	D. A. Clarke
Overseas Relations	Sir Thomas Robson	S. J. Pears
Parliamentary and Law	S. J. Pears	W. E. Parker

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Herbert Aldred, A.C.A., Guatemala City.
„ Robert Martin Brodie, F.C.A., Hull.
„ Gordon Ernest Gabriel, A.C.A., Salisbury, S. Rhodesia.
„ Hubert St John Jackson, F.C.A., Rochdale.
„ William Rowland Lionel Jenkins, F.C.A., Newport, Mon.
„ Percy Jones, F.C.A., King's Lynn.
„ Leslie Adolphus Lewis, A.C.A., London.
„ Percy John Marriage, A.C.A., London.
„ John Edwin Osborne, T.D., F.C.A., Hull.
„ Edward Clement Wesley Owen, F.C.A., Cardiff.
„ Anstey Withers Rockwell, F.S.A.A., Sydney.
„ Oliver Rowe, A.C.A., Manchester.
„ George Robert Verity, A.C.A., Bradford.
„ Frederic West, F.C.A., Plymouth.

FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

Findings and Decisions of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at hearings held on June 4th, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee that a member of the Institute was (*a*) convicted at Bow Street Magistrates' Court in March 1958 on a charge that being the receiver of the whole or substantially the whole of the property of a limited company and appointed on behalf of the holder of a debenture secured by a floating charge he failed to send to the Registrar of Companies an abstract in the prescribed form showing his receipts and payments during the period of twelve months ended July 22nd, 1957, contrary to Section 372 of the Companies Act, 1948; (*b*) convicted at Bow Street Magistrates' Court in April 1958 on two charges that being the liquidator of two limited companies he failed to send to the Registrar of Companies a statement of his receipts and payments in respect of each of those companies contrary to Section 342 of the Companies Act, 1948, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved under both headings and ordered that the member be admonished, but decided that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee that three members of the Institute in practice together had been guilty of an act or default discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3) of the supplemental Royal Charter in that they accepted nomination as auditors of a limited company without first communicating with the then auditors of that company, so as to render themselves liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the three members be reprimanded, but decided that there existed special circumstances justifying the omission of their names and the name of their firm from the publication of the Finding and Decision.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Book-keeping for Small Traders; by J. Unett, A.C.A. 1955. (Iliffe, 12*s* 6*d*.)

Filing Systems: by E. A. Cope and C. R. Curtis. Fourth edition. 1957. (Pitman, 12*s* 6*d*.)

Management for Small Traders; by J. Unett, A.C.A., 1955. (Iliffe, 12*s* 6*d*.)

Occupational Pension Schemes: a Survey. (Government Actuary.) 1958. (H.M.S.O., 2*s*.)

Principles and Practice of Book-keeping and Accounts; by B. G. Vickery, F.C.A. Fifteenth edition. 1957. (Donnington Press, 24*s*.)

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Belfast on Thursday, June 26th, 1958.

Attendance

The *President*, Mr James Walker, was in the chair, and there were also present Messrs D. McC. Watson, *Vice-President*, H. E. A. Addy, John Bacon, Mervyn Bell, Robert Bell, A. S. Boyd, G. A. P. Bryan, G. E. Cameron, Frank Cleland, M. M. Connor, A. E. Dawson, J. F. Dempsey, James Graham, G. F. Klingner, R. E. McClure, R. J. Neely, R. P. F. Olden and H. W. Robinson, with the *Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Messrs N. V. Hogan and John Love.

Integration

Six members of The Society of Incorporated Accountants were admitted to membership of the Institute as Associates under the terms of clause 2 of the Scheme of Integration.

Fellowship

The following Associates were elected to Fellowship:

Flinn, Donal Patrick (Dublin).
McKeown, Frank (Ballymena).

Associateship in Practice

Joseph Teller, A.C.A. (London), was admitted to practice.

Membership

The following candidates who had passed the Final examination of The Society of Incorporated Accountants held in November 1957 were admitted to membership:

Hughes, Arthur (Dublin).
Walsh, John Paschal (Tramore, Co. Waterford).

Joint Secretaryship

The Council accepted with very great regret the resignation of Mr Hugh Stevenson, F.C.A., from the office of Joint Secretary to the Institute, an appointment which he had held for twenty-three years.

Mr Thomas Desmond Lorimer, F.C.A. (Belfast), was appointed Joint Secretary and Treasurer in place of Mr Stevenson.

RESULTS OF EXAMINATIONS HELD IN MAY 1958

Examinations

The report of the examiners on the Institute's examinations held in May 1958 were submitted, showing that in the Final examination 49 per cent of the candidates had been successful compared with 40 per cent at the previous examination; and that in the Intermediate examination 43 per cent had passed compared with 59 per cent in November 1957. In the Preliminary examination 6 candidates out of 14 were successful.

FINAL EXAMINATION

First Place and the 'Arthur H. Muir' Memorial Prize: Shanagher, A. D. (Monkstown, Co. Dublin).

Second Place: Houston, R. L. (Belfast).

Third Place: McComb, D. C. R. (Belfast).

Full list of names of successful candidates (in alphabetical order)

Clifford, D. B. (Dublin); Connor, W. G. K. (Killiney, Co. Dublin); Costelloe, J. J. (Ennis, Co. Clare); Crealey, B. O. (Portadown, Co. Armagh); Crowe, P. H. (Dublin); Donegan, R. E. (Dublin); Gillespie, G. F. R. (Blackrock, Co. Dublin); Gunning, P. H. (Dublin); *Houston, R. L. (Belfast); Howard, T. L. (Belfast); Hughes, E. A. J. (Dublin); Jackson, I. G. (Ballynahinch, Co. Down); Lowth, L. J. (Dublin); McCann, W. D. (Monkstown, Co. Dublin); *McComb, D. C. R. (Belfast); Macpherson, T. A. (Belfast); Magill, I. M. (Whitehead, Co. Antrim); Mollard, R. E. (Dublin); Oliver, T. C. (Dublin); O'Neill, J. G. (Dublin); Pickett, I. (Dublin); Power, D. C. (Blackrock, Co. Dublin); Prior, J. P. R. (Dublin); Rafferty, M. (Glenamaddy, Co. Galway); Rennick, P. N. (Longford); *Shanagher, A. D. (Monkstown, Co. Dublin); Sheehy, P. C. (Dublin); Wilson, A. C. B. (Dublin); Yusof, A. R. bin (Malaya).

29 candidates passed.

30 candidates failed, of whom 3 were deferred for re-examination in one subject under bye-law 106.

* See also place list above.

INTERMEDIATE EXAMINATION

First Place and the 'John Mackie' Memorial Prize: McGuinness, C. F. (Dublin).

Second Place: Zachary, J. P. (Belfast).

Third Place: Dean, N. F. (Templeogue, Co. Dublin).

Full list of names of successful candidates (in alphabetical order)

Aboud, R. M. (Dublin); Angel, T. G. (Kilcock, Co. Kildare); Campton, J. D. (Bangor, Co. Down); Daly, D. C. (Dublin); D'Arcy, A. E. (Limerick); *Dean, N. F. (Templeogue, Co. Dublin); Delaney, M. K. (Sandycove, Co. Dublin); Dunlop, H. B. (Bangor, Co. Down); Fitch, W. (Belfast); Fleury, R. McK. (Passage West, Co. Cork); Gallagher, D. B. (Dublin); Groves-Raines, M. R. G. (Killinchy, Co. Down); Hawkins, L. L. (Galway); Jeffers, E. J. (Belfast); Keane, M. J. (Limerick); Kearns, R. (Waterford); Kickham, M. J. (Enniscorthy, Co. Wexford); Lowe, H. F. (Dublin); Lyons, P. J. P. (Sandycove, Co. Dublin); McGinley, J. P. (Dublin); *McGuinness, C. F. (Dublin); McKenna, D. C. (Dublin); McKiernan, F. (Cavan); Meagher, P. J. (Thurles, Co. Tipperary); Moore, L. J. P. (Dublin); Olden, C. W. (Cork); Phelan, J. A. (Bandon, Co. Cork); Stakelum, J. J. (Dublin); Stanistreet, M. A. M. (Dublin); Tinsley, W. G. C. (Bangor, Co. Down); *Zachary, J. P. (Belfast).

31 candidates passed. 41 candidates failed.

* See also place list above.

SUMMARY OF RESULTS

	Final	*Intermediate*	*Preliminary*	*Total*
Candidates successful	29	31	6	66
Candidates failed ..	30	41	8	79
Candidates sat ..	59	72	14	145

Notes and Notices

PERSONAL

Messrs Thornton & Thornton, Chartered Accountants, of London, Oxford and elsewhere, announce that Mr L. C. W. Phillips, f.c.a., retired from the partnership on June 30th, 1958, and is now practising as a consultant. They also announce that Mr A. L. Jeffery, f.c.a., Mr O. B. T. Bennett, f.c.a., Mr L. Booth, f.c.a., Mr E. C. Graham, m.a., f.c.a., Mr R. Langdon-Davies, d.f.c., f.c.a., Mr J. H. Marshall, f.c.a., and Mr I. O. MacLeod, a.c.a., who have been associated with the firm for many years, have been admitted as general partners as from July 1st, 1958.

Messrs Lord, Foster & Co, Chartered Accountants, of Rex House, 38 King William Street, London, EC4, announce that Mr Clive Maurice Moss, a.c.a., was admitted into partnership on July 1st, 1958.

Messrs Luckin & Sheldrake, Chartered Accountants, of Waterloo Chambers, Chelmsford, Essex, announce that their senior partner, Mr H. D. Sheldrake, f.c.a., has retired after fifty-nine years as a partner.

Messrs Lloyd, Piggott & Co, Chartered Accountants, of 2 Cooper Street, Manchester, 2, announce that the old-established practice of John Collier & Co, Chartered Accountants, of 4 Chapel Walks, Manchester, 2, originally carried on by Mr S. V. Griffith, f.s.a.a., until his death, and his son, Mr J. V. Griffith, f.c.a., has been amalgamated with their practice. Mr J. V. Griffith will become a partner in the firm, and the combined practice will continue under the style of Lloyd, Piggott & Co, at 2 Cooper Street, Manchester, 2. They also announce that Mr Jack Morris, a.c.a., who has been associated with them for the last few years, has been admitted as a partner.

Messrs Barnett Leigh, f.a.c.c.a., Jeffrey M. Walker, f.c.a., and Philip F. Newman, a.c.a., announce that the partnership previously carried on by them under the style of Leigh, Butler & Walker has been dissolved as from June 30th, 1958. Mr Leigh will continue in practice under the style of Leigh & Butler, Certified Accountants, and Mr Walker and Mr Newman in partnership, under the style of Walker, Newman & Co, Chartered Accountants. Both practices will continue to operate from the present offices, at Argyle House, 29–31 Euston Road, London, NW1.

Messrs Cooper Brothers & Co and Messrs Buckley & Hughes announce that they have amalgamated their interests in Victoria, Australia, as from July 1st, 1958. The business will continue to be carried on at Queensland Insurance Building, 84 William Street, and at 360 Collins Street, Melbourne, in the names of Cooper Brothers & Co and Buckley & Hughes.

Messrs Hacker, Rubens & Co, of 18 Maddox Street, London, W1, announce that Mr M. G. Hacker, f.a.c.c.a., retired from the practice on June 30th, 1958. As from July 1st the remaining partners are continuing the practice and they have admitted into partnership Mr T. A. Munn, a.c.a., who has been associated with the firm for over twelve years.

Messrs Elliott Norman Jacobs & Co, of 31/32 Haymarket, London, SW1, announce that as from July 1st, 1958, Mr Martin M. Sinclair, a.a.c.c.a., has been taken into partnership. The name of the firm remains unchanged.

PROFESSIONAL NOTE

Mr W. A. Nicol, c.a., group secretary of Guest, Keen & Nettlefolds Ltd, and Mr W. W. Fea, a.c.a., group chief accountant, have been appointed directors of the company.

OBITUARY

Arthur Wilson, a.c.a.

We have learned with regret of the death at his home at Robin Hood's Bay, Yorkshire, of Mr Arthur Wilson, a.c.a., a former Auditor-General in Malaya.

Mr Wilson was educated at Scarborough High School and at the Universities of Leeds and London. He was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1917. In 1920 he joined the Federated Malay States Audit Office and he became in turn, Assistant Auditor, Assistant Auditor-General, and ultimately Auditor-General, Federated Malay States, and Deputy Auditor, Federated Malay States Straits Settlement.

During the First World War, Mr Wilson was commissioned in the King's Own Yorkshire Light Infantry; during the Second World War he served as an officer in the Royal Army Pay Corps.

INDIA

The Institute of Chartered Accountants in England and Wales has been informed that a national conference of The Institute of Chartered Accountants of India is to be held in Bombay in December 1959. The subjects for discussion have been decided provisionally as follows:

(1) *Taxation*
  (a) Economic effects of taxation;
  (b) Income tax;
  (c) Capital tax.
(2) *Audit and Investigation*
  Technique for audit or investigation.
(3) *Accounting Principles (Theory and Practice)*
  (a) Design of accounts;
  (b) Valuation principles;
  (c) Accounting trends;
  (d) Stock-in-trade;
  (e) Depreciation;
  (f) Analysis of accounts of individual industries.
(4) *Management Accounting and Costing*
  Budgetary control and standard costing.
(5) *Professional Training and Professional Ethics.*

The Indian Institute states that there is adequate hotel accommodation in Bombay and the conference committee would be pleased to help in making reservations for members of The Institute of Chartered Accountants in England and Wales and in arranging visits to places of interest in India if sufficient notice is given. Members who are interested should write direct to Mr E. V. Srinivasan, Secretary, The Institute of Chartered Accountants of India, Mathura Road, New Delhi, India.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

TAXATION AND RESEARCH COMMITTEE

The ninety-seventh meeting of the Taxation and Research Committee was held at the Institute on Thursday, June 19th, 1958, at 2 p.m.

Present: Mr S. Dixon (in the chair); Messrs C. W. Aston, R. D. R. Bateman, M.B.E., C. V. Best, R. P. Brown, K. A. Buxton, W. R. Carter, J. Cartner, R. A. Chermside, J. B. L. Clark, C.B.E., L. H. Clark, W. F. Edwards, A. R. English, E. S. Foden, C. R. P. Goodwin, N. B. Hart, O.B.E., T.D., G. N. Hunter, J. A. Jackson, S. Kitchen, G. W. Knight, E. N. Macdonald, D.F.C., C. F. Millard, G. P. Morgan-Jones, L. Pells, C. J. Peyton, A. H. Proud, J. D. Reekie, W. G. A. Russell, D. T. Veale, J. W. Walkden, F. J. Weeks, E. K. Wright and G. H. Yarnell, with the Secretary.

Mr William Speight Carrington, F.C.A.

The Committee recorded its sincere congratulations to Mr W. S. Carrington on the honour of knighthood to be conferred on him as a result of the Birthday Honours.

It was recalled that Mr Carrington was one of the members of the Institute responsible for the formation of the Committee, one of its founder members serving until 1948, and the first chairman of the Taxation Sub-Committee.

Standing Sub-Committees

Reports were received from the following Standing Sub-Committees:

General Advisory Sub-Committee;
Management Accounting Sub-Committee;
Taxation Sub-Committee;
Planning Sub-Committee.

The Committee was informed that the statement entitled *Accounting by Electronic Methods* had been approved by the Council for inclusion in the new *Members' Handbook* and also for issue in booklet form.

Ad hoc *Sub-Committees*

Progress reports were received from two special sub-committees.

Future Meetings

The next meeting of the Committee was arranged for Thursday, September 18th, 1958, and the following are the normal dates for other meetings in 1958:

Thursday, October 16th, 1958.
„ December 18th, 1958.

SOUTHEND-ON-SEA CHARTERED ACCOUNTANTS' GROUP

It is hoped to form a cricket team from members of the Southend-on-Sea Chartered Accountants' Group and their articled clerks, to play one or two friendly matches against selected opponents during the summer.

Members of the group who are interested in forming such a team are asked to write to the Hon. Secretary, Mr A. A. Stewart, A.C.A., at Flat 3, 1 Clifton Terrace, Southend-on-Sea.

IN PARLIAMENT

COMPANIES AND PUBLIC CORPORATIONS: TRADING PROFITS

Mr DAVID GRIFFITHS asked the Chancellor of the Exchequer what has been the percentage increase in profits, dividends and bonus share issues between August 1951 and the latest available date.

Mr SIMON: Gross trading profits of companies and public corporations trading in the United Kingdom increased by 28 per cent between the calendar years 1951 and 1957; dividend and interest payments increased by 68 per cent. No figures of bonus share issues are available which would enable a valid answer to be given.

Hansard, July 3rd, 1958. Written Answers. Col. 125.

SHEFFIELD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Mr W. H. Olivier, T.D., M.A., F.C.A., a partner in Peat, Marwick, Mitchell & Co, was elected President of the Sheffield and District Society of Chartered Accountants for 1958–59, at the Society's annual meeting on June 30th.

Mr Olivier, who was born in 1904, was educated at Eton and Trinity College, Oxford, where he read law. He was articled to Mr G. O. May, of Price Waterhouse & Co, and was admitted an Associate of The Institute of Chartered Accountants in England and Wales, in 1934, the year in which he joined Peat, Marwick, Mitchell & Co.

A Territorial before the last war, Mr Olivier served in the Royal Artillery in the Western Desert, Palestine, Persia and Iraq, and was mentioned in dispatches; from 1942 he held the rank of Lieutenant-Colonel.

He returned to the profession after the war and was elected to Fellowship of the Institute in 1946. His home is at Ashford Hall, near Bakewell, in Derbyshire, and his hobbies are shooting and fishing.

Other officers were elected as follows:

Vice-President: Mr J. S. Wortley, F.C.A.
Hon. Secretary: Mr M. Sheppard, A.C.A., Imperial Chambers, Norfolk Row, Sheffield, 1.
Hon. Treasurer: Mr H. Wharam, F.C.A.
Hon. Auditor: Mr S. Jones, F.C.A.

Members newly elected to the committee were Messrs W. B. Douthwaite, B.A., F.C.A., and R. S. Sanderson, A.C.A.

The Year's Progress

The Society's seventy-sixth annual report presented at the annual meeting, records a total membership at

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December 31st, 1957, of 273, an increase of 24 over the year.

The programme of lecture meetings held jointly with the Sheffield Society of Incorporated Accountants was supported by members from all branches of the profession. Among these functions was a joint meeting with the Association of H.M. Inspectors of Taxes.

Luncheon meetings were held at Sheffield, Chesterfield, Doncaster and Rotherham during the year. The meetings in Sheffield were held for the purpose of introducing newly-qualified members to the President, Committee and members of the District Society. The report states that these meetings have undoubtedly assisted in the creation of a greater interest in the activities of the Society with a resulting increase in membership.

INDUSTRIAL BANKERS ASSOCIATION

The following items of interest appear in the recently issued second annual report of the Industrial Bankers Association:

Deduction of Income Tax

In July 1957 the Inland Revenue stated that interest on deposits accepted for periods of less than twelve months would not be regarded as yearly interest of money within the meaning of Section 169, Income Tax Act, 1952, or annual interest within the meaning of Section 137 (1). They were not then able to say, however, whether or not the interest payable would be allowable as a deduction in computing the company's profits, since such deduction might be prohibited by Section 137 (*f*).

In accordance with Section 137 (*f*), in computing the amount of profits to be charged to tax, no sum can be deducted in respect of any sum employed or intended to be employed as capital in the business, and the Courts have so far taken the view that this rule applies not only to sums which are themselves employed as capital but also to interest paid on those sums.

After further lengthy consideration, however, the Inland Revenue have now advised members that interest on deposits for periods which do not, and cannot in any circumstances, amount to twelve months is allowable as a deduction in computing the profits to be charged to tax.

Membership

It is pleasing to report that membership of the Association has increased from the original six companies to a total of eleven members. Several inquiries regarding membership have recently been received from industrial banking companies and it is hoped that the next twelve months will see a further increase in membership.

The list of members of the Association comprises:

Belmont Finance Corporation Ltd, Reading, Berks; Campbell Discount Co Ltd, London, W1; Capital Finance Co Ltd, Edinburgh, 1; Equity Credit Co Ltd, London, W1; G. & C. Finance Corporation Ltd, Brighton, 1; Theo. Garvin Ltd, Southend-on-Sea, Essex; Hermiston Securities Ltd, Edinburgh, 3; Marlborough Finance Ltd, London, EC2; Milford Mutual Facilities Ltd, Manchester, 12; Overstone Ltd, London, W1; Port Talbot (Auto) Services Ltd, Port Talbot, Glam.

APPROVED AUDITORS

The Chief Registrar of Friendly Societies has issued a supplementary list of approved auditors giving the names of 112 additional appointments and the names of 87 whose appointments have been discontinued.

BANKING SUMMER SCHOOL

The International Banking Summer School will this year be held at St Andrews from August 30th to September 12th and will be organized by the Institute of Bankers in Scotland.

In view of the current interest in developments in automation, the theme of the School will be 'The future organization of banking'. Lectures will be delivered in the mornings and the discussion meetings will be held in the evenings so that those who wish to play golf over the courses of St Andrews will be able to do so. The lectures to be given will be on such subjects as 'The automation of banking procedures' and 'Banking without cheques'.

INTERNATIONAL INSURANCE DICTIONARY

An *International Insurance Dictionary* prepared by the European Conference of Supervisory Services of Private Insurance is to be published during next year. The *Dictionary* will contain about 1,800 terms relating to insurance, including financial and banking expressions used in the reports of insurance companies.

About 200 terms will be defined or explained in five languages, namely English, French, German, Italian and Spanish; about 180 additional terms will be explained in English, French and Spanish.

Readers wishing to obtain a copy of this publication should apply for a subscription form to the Board of Trade Library, Horse Guards Avenue, London, SW1. Applications for forms should be made immediately as they must be returned by July 15th.

150th ANNIVERSARY

A handsomely produced volume of some 120 pages has been issued to mark the 150th anniversary of the founding of Norwich Union Life Insurance Society. Excellently printed by photo offset lithography, the book – bearing the Society's motto, *Esto Perpetua*, as its title – traces the Society's history since its foundation in Norwich on July 1st, 1808, by Thomas Bignold. Features of the volume are the numerous fine full-page illustrations – a number in colour – and the admirable line drawings at the head and tail of each chapter.

CRICKET

In the report of the cricket match between the Institute and the Law Society in our issue of June 28th, M. Richardson, the Law Society bowler, was credited with only four wickets for 64. He did, in fact, take five wickets for 72, as given in the bowling analysis at the end of the report.

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Customs Reform

FOLLOWING upon the passing of the Import Duties Act, 1958, the Treasury have now made an Order which must be one of the longest statutory instruments ever made, covering as it does 295 pages. It is the Import Duties (General) Order, 1958[1], and it contains in a schedule an entirely new customs tariff which is to come into force on January 1st, 1959. It will replace the protective duties originally imposed under the Import Duties Act, 1932, and many amending Acts. Section 1 of that Act empowers the Treasury to impose protective duties by order and the new Order is an exercise of this power.

The difficulties of scientific classification of goods used in international commerce has for many years led to much waste of time in considering the meaning of the various national customs tariffs. The need for an internationally agreed tariff nomenclature has long been recognized. As early as 1931 a draft nomenclature was produced under the auspices of the League of Nations. Using this as a basis for further study, the European Customs Union Study Group developed the Brussels Nomenclature. It is solely concerned with tariff descriptions and layout, and contains no commitment as to rates of duty. In 1950 the United Kingdom and a dozen other European countries signed a convention in Brussels by which they agreed to set out their customs tariffs in conformity with this Nomenclature. A protocol of amendment was signed in 1955. In 1956 France introduced a tariff based on the Brussels Nomenclature, certain countries outside Europe have adopted it, and other countries in and outside Europe will probably adopt it soon.

The Nomenclature provides a systematic classification of all goods in international commerce. It is divided into twenty-one sections, which are further sub-divided into ninety-nine chapters and 1,095 headings. The precise scope of the headings is clarified by general interpretive rules and by notes to the sections and chapters. These rules and notes have the effect that each article is classified in the Nomenclature in one place and in one place only. The chapters are arranged in sequence commencing with animal and vegetable products, proceeding through raw materials and semi-manufactured goods to manufactured articles classified in chapters according to the main substance from which they are made or, in other cases, according to distinctive trade groups.

Countries which ratify the Brussels Nomenclature Convention must adhere in their customs tariffs strictly to the terms of the Nomenclature headings and must interpret them in accordance with the section and chapter notes. An individual country may, however, make such minor textual adaptations as are necessary to give practical effect to the Nomenclature in its domestic law. Each country may insert its own rates of duty (if any) against any Nomenclature heading and may introduce sub-headings to provide for different rates of duty on goods classified within the heading. To assist uniform application of the Nomenclature an agreed commentary has been issued under the title 'Explanatory Notes to the Brussels Nomenclature' and explains the effect of the interpretive rules and of the section and chapter notes. This publication also describes the contents of each heading in detail, and usually gives a list of the main articles included and excluded, with the technical description of the goods, their appearance, properties, method of production, and uses.

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[1] S.I. 1958. No. 973. H.M.S.O. 9s net.

The adoption of the Brussels Nomenclature has the further advantage, in the United Kingdom at any rate, of considerably simplifying the existing legislative provisions. At the moment these provisions are of too general a nature and leave undefined a wide range of chargeable goods. The various provisions are not mutually exclusive, so that many goods come under more than one heading. To achieve this simplification while at the same time preserving the existing duties exactly as they now stand would be an impossible task. Therefore the new Order, although it maintains the old rates as far as possible, does introduce some changes of substance.

As we have said, the new Order is confined to protective duties of the kind imposed in 1932. It does not include customs duties imposed primarily for the raising of revenue, such as the duties on tobacco, petrol, beer, wines, spirits, matches, sugar, tea, coffee, cocoa and playing cards. These duties will continue to be imposed by existing provisions in the relevant Finance Acts. Equally, the Order does not impose any duties under the Customs Duties (Dumping and Subsidies) Act, 1957, under which Act duties can be imposed by orders made by the Board of Trade.

The classification of goods passing from one country to another is important not only for customs purposes but also in the compilation of statistics. Under existing requirements the importer must enter the trade description of his goods, the number and description of the heading under which they fall in the tariff for customs purposes, and the description of the heading under which they fall in the published import list for statistical purposes. With the introduction of the new tariff the need for three different methods of describing the goods will disappear. By subdivision of some of the Nomenclature headings, or possibly in some cases by an alternative subdivision of a group of headings, the tariff can be made suitable both for duty and for statistical classification. Thus it will not be necessary for an importer to consult an import list as well as the tariff. A single description of the goods (accompanied by the number of the tariff item and by a statistical reference number) will suffice, provided it enables the goods to be readily identified for both purposes. As something like two million import entries are submitted every year, the saving of work in the offices of importers and others will obviously be considerable.

Of course, it is not only importers who will benefit from this change. An exporter will have a much easier task when he consults the tariff of a foreign country in finding out quickly whether his goods are dutiable in that country, and at what rate. If the classification for United Kingdom duty is known, he will simply look at the corresponding number in the foreign tariff. Again, officials of departments like the Customs and Excise and the Board of Trade, meeting internationally, will have a common language in the classification of all the multiplicity of goods which enter into international trade.

On Tuesday a new edition of the Customs and Excise Department's well-known *Tariff* was published,[1] showing the duties which are expected to be in force on January 1st, 1959, not only the ordinary protective duties, but also the anti-dumping duties, of which there is at present only one. There is a very full index to the duties, and a separate index to drawbacks and allowances. Against each item, a separate column indicates the statistical key number. The object of this new publication is to familiarize the business community with the new tariff. It will be replaced by an up-to-date edition about next December.

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[1] H.M.S.O. *12s 6d* net.

Local Government Staffing Problems

THE particular difficulties involved in the recruitment and training of finance officers for local authorities are reviewed in a report just issued by the Institute of Municipal Treasurers and Accountants.[1] The information for the survey was obtained from the answers to questionnaires sent to every local authority in England and Wales. The statistics asked for concerned employees in the higher graded posts only. Of the 1,529 authorities contacted, 271 mainly with small populations, did not reply.

The first of the five sections of the report deals with the size of the field and the range of remuneration. It discloses that of the 30,000 people employed in the finance departments of the various types of local authority – half of them by major authorities – 11,166, or more than a third, hold posts within the chief officer and administrative, professional and technical grades. About 4,000 of these are jobs carrying a maximum salary of less than £700 per annum. The next 5,000 are still in the grades under £1,000 maximum, leaving some 2,000-odd working at salaries upwards of that figure. Only 281 individuals have salaries of over £2,000 and of these 172 are employed by the major authorities. In this group are included 56 individuals with maximum salaries of over £3,000 and three with a limit over £4,000.

It is found on classifying the staffs that, as a general rule, the larger the authority in each category – county councils, county, non-county and metropolitan boroughs and urban and rural districts – the smaller is the finance staff required in relation to the population served. One interesting factor which affects the actual numbers employed is the attitude of the respective councils to internal audit. Of two county councils, each with a population of around 100,000, one employed five graded staff on audit work; the other, one.

In view of the salary statistics disclosed in the first section of the report, it is not surprising to learn from the second part, which deals with the education and professional qualifications of the 11,166 graded staff, that only 170 received a basic university training although nearly 200 other employees acquired degrees by evening or external study. The intake of staff directly from grammar schools or the equivalent was about 8,500 and from modern or elementary schools 2,150. Among the 4,000 staff who hold one or more examination qualifications are 2,000 members of The Institute of Municipal Treasurers and Accountants, 800 chartered, incorporated or certified accountants and about 100 members of The Institute of Cost and Works Accountants.

The third section of the report gives tables on the age structure of the existing staffs which indicate that in the future more graded posts are likely to become vacant than there are up-and-coming men to fill them. The bulk of the higher paid men in local government finance are in the 40s age group and there is a dearth of prospective successors at present under 35. Length of service and mobility tables (the subjects of the fourth section) show that while employees, once recruited generally remain in local government service, there is an increasing tendency to move from the employment of one authority to that of another. Of 2,304 high graded officers, it is noted that only 734 have spent their entire careers so far with one authority. Some of the others have served as many as nine masters.

The last section of the report enumerates some of the points which arise from the preceding revelations. The importance of making employees obtain a professional qualification before giving them substantial advancement is stressed. At present, due to shortage of staff, a policy of premature promotion is being forced upon local authorities. It is also suggested that stronger efforts should be made to encourage more university graduates to make local government their careers. Among the objections raised to this idea are that 14–16 is the traditional age of entry to the service and that the intrusion of 21-year-olds would create both establishment and personality problems. If, however, the standard of efficiency of local government financial administration is to remain unimpaired, then these and other dilemmas disclosed by this meritorious report will have to be resolved.

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[1] *Local Authorities' Finance Staffs*, by Roy Sidebotham, B.A.(COM.), A.I.M.T.A., A.A.C.C.A. (Institute of Municipal Treasurers and Accountants, 5s post free.)

Finance Bill – XII

ESTATE DUTY: QUICK SUCCESSIONS

Clause 27 (3)

'QUICK-SUCCESSION' relief cannot be claimed for more than one earlier death (clause 27 (3)). For example, in the unlikely event of deaths at regular annual intervals the relief would be 40 per cent each time, and no more. For deaths occurring at intervals of 11¾ months, the relief would be 50 per cent. There is no marginal relief. Nor is any consideration given to the rate of duty paid on the earlier death. Thus if property is taxed at a mere 2 per cent on the earlier death and becomes chargeable within three months at the 80 per cent rate, then the effective rate on the second death is reduced from 80 per cent to 20 per cent.

Eighth Schedule

Before plunging into the somewhat turgid waters of the Eighth Schedule it is necessary to stress the two conditions precedent to quick succession relief set out in clause 27 (1) (*a*) (*b*), and the overriding limit on relief imposed by clause 27 (2). The conditions are:

(*a*) that estate duty has been payable on the *same property* on an earlier death within five years; and

(*b*) that the person *entitled* to the property *immediately before the later death* did not acquire his title under a *purchase* for *a consideration in money or money's worth* made since the earlier death.

Clause 27 (2) restricts the amount, on which relief is calculated, to the *net value of the property after the earlier death.*

The phrases we have italicized above are the subject of elaboration and definition in the Eighth Schedule. It starts with the last such phrase and moves back crabwise.

'Net Value after the Earlier Death'

Paragraph 1 (4) says:

> 'Save as otherwise provided, the net value after the earlier death of any property shall be taken to be the value on which estate duty is payable on that death, less any death duties payable thereout on that death.'

'Death duties' in the schedule are defined by paragraph 6 to include 'duties payable under the law of any country or territory'. This definition is no doubt inserted with an eye on the principle approved in *Re Goetze* (31 A.T.C. 551) that a reference, in a will, to death duties is confined to British death duties. However, it would have been well to make it clear in paragraph 6 that deductible foreign duties are confined to death duties; otherwise the Revenue may well claim that other duties should also be deducted. This provision for the deduction of estate and other death duties makes the relief in this respect less generous than the old relief.

Paragraph 1 (1) deals with property forming part of the first deceased's estate and transferred to a person specifically entitled to it. The net value of this property after the earlier death is to be taken at the value on which the earlier estate duty was paid – less amounts payable out of it in respect of 'death duties' or in respect of liabilities to which the first deceased or his estate was subject, other than:

(i) amounts already deducted in arriving at the estate duty value;

(ii) amounts met in the course of administration out of or by means of other property passing on the earlier death.

This appears to be the meaning of paragraph 1 (1), but as it refers to 'death' and 'deceased' without troubling to specify which of the two deaths and the two deceased, the true meaning must remain a matter for speculation.

Paragraph 1 (2) deals with property (not dealt with in paragraph 1 (1)) which was paid or appropriated on the earlier death in satisfaction of 'legacies' – defined as including any right (*sic*) conferred by a testamentary disposition or arising by reason of intestacy. Such property 'shall be regarded as being the same as the property passing on the death and not so transferred'. Here, again, the draftsman does not say which death, but presumably means the earlier one. Suppose the first deceased directs his executors to buy a motor-car as a legacy and they apply his property for that purpose. If the legatee dies within five years and the motor-car passes on *his* death, it will be treated for quick succession purposes as being the same property as the property passing on the death, which was not transferred to a person specifically entitled to it.

Paragraph 1 (2) goes on to provide for ascertaining the 'net value after the (earlier) death' of this property. This is to be the same as its value at the time when it is paid or appropriated, after allowing for any charge or incumbrance subject to which it is paid or appropriated. The sub-paragraph ends with these words 'and similarly with property distributed on the coming to an end of a settlement (whether on the earlier death or not)'. These words resemble not so much the drafting of an important statute as a note scribbled on the back of an envelope.

Insurance policy moneys arising on the earlier death are the subject of paragraph 1 (3). In general law they are not the same property as the policy itself, but paragraph 1 (3) says they are to be so regarded. Their net value after the earlier death is to be taken at the value on which duty was payable on the earlier death, less any 'death duties' payable thereout on that death. Paragraph 1 (4), the 'sweep-up' sub-paragraph, has been dealt with above.

Paragraph 2: Property Substituted after the First Death

Paragraph 2 widens the categories of property which, passing on the second death, may be treated as the same property as that on which duty was paid on the first death. It deals with cases where the second deceased has received property which passed on the first death but has changed it in the meantime. Sub-paragraph (1) deals with sums of money received by the second deceased on the first death.

If property passes on the second death but is not (apart from paragraph 2) regarded as the same as property on which estate duty was payable on the first death, paragraph 2 (1) offers a chance of claiming that it should nevertheless be so regarded. The claimant must satisfy the Inland Revenue that the property passing on the second death can be so regarded on the assumption that the property disposed of by the second deceased since the first death was property other than the sums received on the first death. Where the property retained by the second deceased is not sufficient to cover the sums received on the first death but property comprised in gifts or settlements made by him also passes on his death, then it is to be assumed that he applied the sums rateably in making those gifts and settlements.

Paragraph 2 (2) is perhaps even more benevolent; it deals with the case where the second deceased received, on the first death, property other than sums of money. If he ceases to have possession and enjoyment of it in circumstances in which he can be regarded as receiving money or money's worth for it, paragraph 2 (1) is to apply as if the property he received on the first death had consisted of a sum of money equal to the smaller of the two following amounts:

(i) the net value after the first death of the property received on that death; or
(ii) the value of the consideration received for the disposal of the property – valued at the time of such disposal.

Paragraph 2 was extended at the committee stage of the Bill by a new sub-paragraph (3) which brings in, not only sums of money and other property received on the first death, but also sums of money and other property received under gifts *inter vivos* or on distribution of settled property, where duty was payable on the first death.

Paragraph 2 reduces the duty only on such property as does not otherwise qualify for relief, and it is subject to the general limitation imposed by clause 27 (2), i.e. where the value at the second death is higher than the value at the first death (paragraph 2 (4)). Clause 27 (3), restricting relief to only one earlier death, also applies (paragraph 2 (5)).

Paragraph 3: Settled Property

Paragraph 3 adapts clause 27, and the other provisions of the Eighth Schedule, to the case where the property passing on the second death has been comprised in a settlement (paragraph 3 (1)). With an eye no doubt on the decision in *Hetherington's Trustees v. Lord Advocate* (33 A.T.C. 16), sub-paragraph (2) says that the property at any time comprised in the settlement shall be regarded as the same property, notwithstanding any substitution of one item for another. *(To be continued.)*

'Shell' Companies

CONTRIBUTED

A VISITOR from another world attending the recent debates on the Finance Bill might be forgiven if he came away with the impression that there were as many citizens avoiding their tax dues as were paying them. During the second reading, Mr Harold Wilson asserted that

> 'if all the energy and ingenuity in the City of London put into tax avoidance were put into increasing our exports, we would have no gold problem nor a balance of payments problem today'.

Opinions as to the justice of this assertion will vary widely, but in view of the considerable publicity which this topic has attracted in recent years, it is as well to clarify the issues involved.

No taxpayer is legally compelled, nor is he morally bound, to arrange his affairs in such a way that the Revenue may collect the maximum amount of tax possible. There is, as the majority report of the Royal Commission on Taxation pointed out, 'no true equity to support such a general principle' (paragraph 1017). Every prudent business man – whatever his politics – arranges his affairs so as to keep his liabilities, including his tax, to a minimum. Mr Nabarro, in the same debate, pointed out that Odhams Press had revised its arrangements in respect of the *Daily Herald*, in such a way that the losses on the latter could be set against the profits of that organization's more profitable journals. Furthermore the judiciary has, generally speaking, upheld this right, admittedly on occasions with some reservations and regret.[1] It may also be inferred from the continued existence of what some people would describe as 'loopholes' that the Revenue seeks only to block any gap when it is being exploited in the worst sense of that term.

Objects of the 'Shell'

These reflections are prompted by the publicity which has recently focused on the 'shell' company. This device may serve alternative purposes. It can be used either to reduce taxation or, until recently, to avoid the official controls relating to the raising of capital. The first object is achieved by transforming a private director-controlled, i.e. a 'surtax' company into a public company through the medium of what has become known as a 'shell' company. The name is altogether apt, for it derives from the practice of certain crustaceans who find temporary protection from their foes by lodging themselves in a vacated shell until their own armour is adequate.

The owners of the private company acquire the capital of another company – the 'shell' – whose shares are quoted on the stock exchange, i.e. a public company. The latter then acquires the share capital of the private company, using for that purpose its own liquid resources, the existence of which enhances the attractiveness of the 'shell' to the purchaser. If the 'shell's' resources are insufficient for the purpose, the same operation may sometimes be facilitated by the 'surtax' company's directors making adequate loans to the public company. It is necessary, of course, for the objects clause of the 'shell' company's memorandum of association to be sufficiently widely drawn to permit such an acquisition. This, it need hardly be added, is not usually any obstacle! The taking-over of the public, or 'shell', company is facilitated if ownership of its share capital is dispersed since any opposition to the take-over is much more difficult to muster than if the shares are closely held.

The mode of acquisition also varies. It may be achieved by the purchase of at least 90 per cent of the issued equity capital, whereby the remaining shares may be compulsorily acquired later to give complete ownership. If, on the other hand, legal control alone is required, then the purchasers need buy only 51 per cent of the equity. This latter course has the undoubted advantage that control can be acquired much more cheaply, for a better price is required to tempt some 90 per cent of the shareholders to sell than in the case of an offer to buy a much smaller amount, especially when the purchasers have, by earlier open market purchases, prudently acquired a substantial minority holding.

The 'tax-planning' object of converting the 'surtax' company into a public company is well known. Provided the public is substantially interested in such a company, i.e. to the extent of holding at least 25 per cent of the equity, then its directors are free from the dangers of a surtax direction which may retard the company's expansion where it is dependent upon retained profits for its development. In any case, the point may have been reached in the development of the business when only the introduction of new money, available only from the public, will be adequate to permit its continued expansion. In other words, there are good economic reasons for converting a private company into a public concern.

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[1] For example, the judgments in *Saunders v. C.I.R.* House of Lords hearing, July 25th, 1957 (36 A.T.C. 181).

Saving Estate Duty

Another reason for bringing the public into a private company is that on the death of the controlling director, a valuation of his interest would be made in accordance with Section 55 of the Finance Act, 1940. The conversion of the business into a public company will entitle such shares to be valued for probate at their market price and a considerable sum in estate duty will probably be saved thereby, quite apart from the lessening of the difficulties in meeting the estate duty from the firm's resources. The flotation of a private company will often provide the controlling shareholders with a capital profit upon the sale of part or the whole of their interest. There is nothing reprehensible in this. It may well be that having for years past ploughed back their personal fortunes into the company, the directors now consider it time to diversify their interests. In such a case the capital profit is merely incidental to the main purpose of the transaction.

To float the business as a public company by the more conventional methods of a public issue or a stock exchange placing is not always practicable and is usually quite expensive. A public issue by means of a prospectus is open only to a fairly substantial business, e.g. minimum current net earnings of about £100,000 per annum and a proven profits record. Such a course presupposes that permission to raise such funds from the public will be readily granted by the Capital Issues Committee! Permission to deal in the shares will also have to be obtained from the Council of the Stock Exchange. Thus a privately-owned business which could not hope to raise capital on either the London or provincial markets, either because it is not big enough and its profits record covers too short a period, or because it may be rejected by the Capital Issues Committee, will be forced to resort to the expedient of acquiring a 'shell' to convert itself into a public company.

What are the desirable characteristics of a 'shell'? Clearly it must be a public company with a stock exchange quotation for its shares. The cost of acquiring control thereof will generally speaking be less if first, its shares are held by a large number of small investors, and second, if its business is either virtually defunct or relatively unprofitable. The ideal is the company which has sold its main trading assets and now holds only cash. It would, of course, be possible for such a public company to invest its funds so that it became a small investment trust; alternatively, it could acquire the capital of one or two smaller trading concerns and become a holding company. Nevertheless, the owners of a private trading company can – at least so experience would suggest – acquire the shares in such a 'shell' by the payment of a modest premium over their market price.

Avoiding Capital Controls

The 'shell' is primarily a tax minimizing device, but a variant thereon could be used until recently to avoid the regulations on the raising of capital. In this purpose the 'shell' had to have substantial cash resources; a stock exchange quotation was unnecessary. A leading case concerned Olds Discount Co, which acquired the firm of H. Challen & Son, whose sole assets consisted of about a quarter of a million pounds cash. Control having been obtained, the discount house then borrowed the cash from the subsidiary for use in its own business. It was this action that prompted Mr Heathcoat Amory to express the opinion that he would have to consider ways and means of preventing this loophole, which has attracted in particular the hire-purchase financiers. *The Times* has recently announced that the Astley Industrial Trust, hire-purchase financiers, were able by the purchase of the share capital of three companies, whose net assets consisted solely of cash, to add about £200,000 to their resources.[1]

This technique has been utilized more recently in quite ingenious fashion by a leading finance house. A subsidiary company was formed (for this purpose, of course, a stock exchange quotation is unnecessary) whose sole asset was cash of about £1 million acquired from the sponsoring finance house. The capital of the newly-hatched 'shell' was then acquired by a public company short of liquid cash for purposes of expanding its activities. With control, the public company acquired the cash it needed, for which it issued new shares. As readers will know, all these particular devices have now been stopped by the latest decree on credit controls from the Treasury.

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[1] *The Times* City page, June 3rd; see also June 9th issue on the Charterhouse Finance Corporation's deal with Bowmakers Ltd.

In the long run there is no real solution to the 'take-over bid', the 'loss' company and dividend-stripping, or the 'shell'. They are all the consequences of various restraints imposed upon the normal workings of the economic system and the logical solution is to eliminate the factors which generate such activities, i.e. penal taxation and tiresome restrictions. If recent developments have done nothing else but show the public and the politicians how economic forces will always override physical and legal controls, they will have served a useful purpose.

African Commentary—IX

by **R. E. ELLMER, M.A.(Cantab.), A.C.A., A.C.I.S.**

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Economic Growth in Africa

A REPORT issued on June 6th, 1958, by the United Nations Organization, and entitled *Review of Current Economic Development in Africa*, indicates that the steady economic growth in Africa may be arrested because of the downward trend in the prices of raw materials, and a continuous rise in the prices of manufactured goods. The report states that development projects already begun are to be completed, though often with a 'greater resort to foreign loans'.

The report added that about 70 per cent of African commodities went to European countries, compared with 10 per cent to the United States.

> 'Therefore', the report continues, 'if the United States recession should spread to Europe, this would have considerable repercussions in Africa.'

Further points in the report may be summarized thus: the terms of exchange between primary commodities and manufactured goods became progressively less favourable to primary-producing countries during 1957. The withdrawal of United States stockpiles of strategic minerals, and the effect of the United States recession on the diamond market also had repercussions on the economy of Africa.

Among primary commodities which suffered most in the price decline during 1957 were metals, incuding copper, lead and tin.

Cocoa provided an exception to the general downward trend, owing to a small West African crop, but it was conjectured that a larger crop would inevitably tend to lower prices in future.

Kenya Income Tax Proposals

Sessional Paper No. 5 of 1957–58 of the Kenya Government, dealing with income tax proposals, and based partly on the recommendations of the Coates Commission, has appeared. The main provisions are as follows:

(1) *Company rate of income tax:* to be increased from 5s to 5·50s in the £.

(2) *Personal allowances:*

  (*a*) Single person, £225, except in the case of a widow or other single person who is entitled to an allowance in respect of a child, when the amount of the allowance will be £450.

  (*b*) The married allowance, £550, increasing by one-fifth of the amount by which total income exceeds £500, to a maximum allowance of £700. This maximum will, therefore, be reached at a total income of £1,500.

  (*c*) The children's allowance, £120 for the first child, and £60 for each additional child up to three, i.e. the maximum children's allowance will be £300 (no change).

  (*d*) The dependant allowance, £60 (no change).

  (*e*) The passage deduction, for each single journey to and from East Africa, £150 (increased from £125).

  (*f*) The resident individual rates to be levied on chargeable income:

On the first	£400	chargeable income	2s in £
,, next	£400	,,	3s ,,
,, ,,	£400	,,	4s ,,
,, ,,	£400	,,	5s ,,
,, ,,	£400	,,	6s ,,
,, ,,	£500	,,	7s ,,
,, ,,	£500	,,	8s ,,
,, ,,	£1,000	,,	9s ,,

  Thereafter for each additional £1,000 chargeable income at an additional 1s in the £ to a maximum rate of 15s in the £.

  (*g*) No change in the non-resident personal allowances and rates of tax.

  (*h*) Individual debenture interest and individual mortgage interest rates, 2s (no change).

(3) *Education allowance:* a somewhat complex series of formulae of which one example is 'where both tuition fees and boarding fees are paid, the education allowance will be the excess of the sum of twice the amount of the tuition fees and one-third the amount of the boarding fees over the sum of the above amounts, subject to a maximum of £125.'

(4) *Undistributed income tax:* The provisions in Section 22 of the present Income Tax (Management) Act, 1952, whereby in certain circumstances the undistributed income of certain companies can be deemed to have been distributed, and then charged to tax on the shareholders at their appropriate personal rate of tax, will be replaced by a tax charged direct upon the companies (as redefined) at a rate of 9·50*s* in the £. The companies which are to be made liable to undistributed income tax are:

- (i) a resident company which, not being a subsidiary company, is either under the control of more than five persons, or is a company in which the public are not substantially interested; and
- (ii) a non-resident company which is under the control of not more than five persons, each of whom is resident in the Territories, and which, not being a subsidiary-company, is a company in which the public are not substantially interested; such a company will, by definition, be deemed to be resident in the Territories (Kenya, Uganda, Tanganyika).

In the field of indirect taxation, it is proposed to increase import duties on a wide range of goods, including household goods and clothing.

Opposition to Company Taxation Proposals

The proposal of the Kenya Government to amend the tax on undistributed profits as indicated above has produced strong protests from a variety of business quarters. Mr G. St L. d'Adhemar, a member of the Finance Committee of Nairobi Chamber of Commerce, told the *East African Standard* that the proposed new legislation covering tax on profits would drain companies in Kenya of their liquid resources, stultify expansion, and prevent them from making provision for any period of recession. Taking as an example the case of a company making a profit of £100,000, Mr d'Adhemar showed that under the proposed legislation such a company would have to pay normal company tax at 5·50*s* in the £, which would amount to £27,500, but to avoid payment of the additional 9·50*s* in the £, the company would have to distribute £58,000 (i.e. 80 per cent of the £72,500 remaining after paying £27,500 in tax), leaving a sum of £14,500 only to be carried forward. He added that there was little doubt that a company, faced with the alternatives of paying a 15*s* tax on its profits, or distributing 80 per cent thereof as dividend, would choose the latter course.

At a special meeting of the Nairobi Chamber of Commerce, called to consider the new tax proposals, Mr J. S. Wilkinson pointed out that the Coates Commission report defined a private company as one in which the public were not substantially interested, and that it was at this stage that the report, in his opinion, appeared to be confusing. Continuing, Mr Wilkinson said that it seemed, however, from the Sessional Paper, that if five or fewer persons controlled the company, it was still caught even though between 25 per cent and 49 per cent of the ordinary shares were held by the general public.

It was announced on May 22nd, 1958, that the East African Governments are to reconsider the definition of controlled private companies for which a special undistributed profits tax of 9·50*s* in the £, additional to the basic company tax of 5·50*s*, is proposed in the new income tax scales.

In Brief

South Africa

It is announced in the *Digest of South African Affairs* for May 9th, 1958, that the South African Government intends to introduce legislation during the forthcoming session of Parliament (scheduled to open on July 4th) to set up a Bantu finance and development corporation. This corporation will help in the establishment of commercial and industrial undertakings by the Bantu in their own areas, and will encourage the expansion of existing Bantu undertakings.

Federation of Rhodesia and Nyasaland

It has been reported that a consortium of prominent British textile organizations may take over the Government-owned cotton mills at Gatooma. The Federal Government have agreed that the mills will not be sold without prior consultations with the local textile industry, taking into account their legitimate interests.

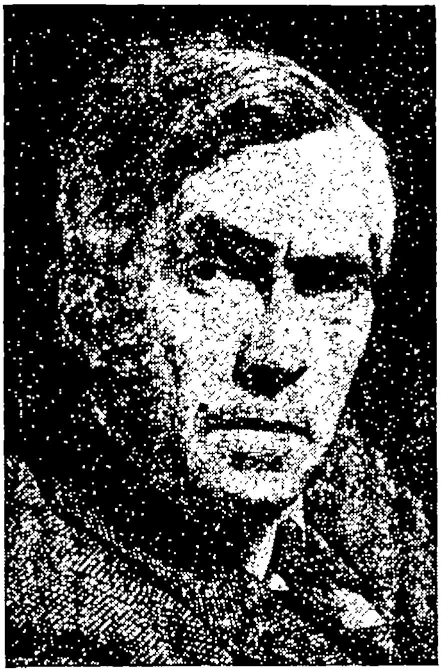
Uganda

The Uganda Co Ltd has announced that they are planning an East African issue of ordinary shares in the company which will enable Africans to join the company as shareholders. A block of the new shares is to be reserved for an agreed period of time for subscription by Africans.

The Financial Outlook

by ROY F. HARROD, F.B.A.

I SHALL begin with the most basic aspect of our internal situation, which is production itself. There is no doubt that in recent years, notably starting in about 1954, we attempted to do too many things at the same time, leading to a sort of inflationary movement. It was a boom composed primarily of industrial investment. What happened, I think, was that a great many firms had been kept waiting after the war by the various troubles that had occurred. For years, there were shortages; they were tied by controls and suffered from an inability to get licences to do what they wished.



Mr Roy Harrod

Then came the great rearmament programme and almost at the same time the exchange crisis, so that we had to have the earlier credit squeeze of 1951 and 1952 and the system of priorities for defence output and for exports. Then came a certain recession in which people worked-off their backlogs; and finally, if you remember, in 1952 and 1953 a great many people at the same time felt able to take a longer view of the future. During all that time, our markets had been going up; firms felt the need to add to their capacity, and so there was very large-scale investment in 1954 and 1955. Compared with the previous record, the increase in investment orders was certainly something of a very large magnitude.

In relation to that in defence of my position as an expansionist today, I took the line from an early stage, namely, from the autumn of 1954, that we must impose a credit squeeze. I think I was the first to ask for one. I only mention this to justify myself against anyone who might dub me as a mere inflationist, because I am now in favour of a reverse policy.

Measures were taken to curb the movement of the inflationary pressure during 1955. They did not follow exactly orthodox lines of action. There were slightly unusual features in the measures taken, such as the letter sent by the Chancellor of the Exchequer to the Governor of the Bank of England asking that he prevail on the banks to get together and reduce advances.

This letter did not seem quite in line with the ideas of people who believed in the orthodox medicine – an automatic working through the credit squeeze. I might say in passing, that the reason why you cannot apply credit squeezes in the old, orthodox way in which credit squeezes always used to be operated – for instance, through the discount market – was the totally changed position of the Government, in being every year a heavy net borrower.

Problem of Government Borrowing

Our whole mechanism of the credit squeeze really depends upon the fact – or it depended on the fact – that the British Government was not normally a net borrower but a net repayer of debt. It is true that its Sinking Fund was not always operated according to the letter of the law before the war, but by and large it repaid debt prior to 1939.

The Government has now turned into a big net borrower, not only on its own budget account, but also, first, for the local authorities. That problem was considerably eased during 1955 by the local authorities being asked to adopt methods to raise money locally. But secondly, and more important, it had to borrow for the nationalized industries, which now absorb something like half the new industrial capital each year. Whether the issues are made in the name of the great nationalized boards or made through the Government they are, in essence, the same thing. They are Government borrowings because they are guaranteed by the Treasury and because, if the issues are not fully-subscribed for, the Government departments take up the residue.

That was very much the case in 1955. Big loans by the nationalized boards had to be taken up by Government departments; that created a block, and the result was that it was impossible in the course of the year for the Government to make any big reduction in the flow of Treasury Bills that it expected the discount market to take up every Friday. Consequently, it could not apply its time-honoured method of squeezing the monetary system because that would

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This address was given at a meeting of the London and District Society of Chartered Accountants on March 11th last. A postscript written by the author in the light of more recent developments in the financial world appears at the end of the address.

put the discount market into an impossible difficulty. Here was the discount market being expected to take up a large volume of Bills every Friday and, if it was too severely squeezed, it would not be adequate to the purpose. Something special had to be done, since one could not reduce the quantity of money in the old way. That was essentially because the Government found it difficult to fund its Treasury Bills when all the time it was wanting to raise new money as well as refund wartime issues.

I do not believe we shall ever get back to a really smooth working of the credit squeeze method so long as the Government is a large net borrower. To get smooth working it needs to be able to arrange to synchronize some reduction in the flow of Treasury Bills into the discount market with measures by the Bank of England to squeeze credit. The two things should work together. I believe that until the problem of the Government being a net borrower is properly solved, we shall have considerable difficulty. The credit squeeze, in any case, was accompanied by measures like those relating to hire-purchases, the building-up of a very big Budget surplus, special taxation measures and so forth.

Investment and Production

It is a fact that orders on capital investment account began to decline somewhere between the autumn of 1955 and the spring of 1956. In the middle of 1956, machine tool orders, which are the best statistical index, had fallen below deliveries; so I would say that on the side of orders, which are the primary impetus to the inflationary pressure, we had got through the peak of the boom all right by the middle of 1956.

Already in 1956 there was also a certain slackening in industrial activity generally. It did not involve much actual unemployment; but if the output per head of those employed is worked out, instead of going up in 1956 as it had fairly regularly since the end of the war, at about 3½ per cent per annum, it went down in that year by 2 per cent.

Thus the restrictive measures had quite a marked effect. It is true that investment continued at a high level in 1956 for the simple reason that the capital goods industries were kept very busy with the backlog of orders placed in 1954–55.

I am not saying that fresh orders were not still quite good. But they would have been inadequate if firms had not been kept busy working on backlogs. My view is that once orders begin to fall away and are reduced to a reasonable level, the credit squeeze has done its fundamental work.

It may be asked whether it is not good to keep the credit squeeze on for a period after orders have gone below the productive capacity, in order to curb the amount of new orders coming forward and thus to give industry time to work off its backlog.

There is another side I would like to emphasize. It must be remembered that whether one is relaxing the squeeze or increasing it, a very great effect will not be quickly apparent. During 1957, I would have asked not so much: Is industry, as a result of the squeeze, depressed? One could still hardly say that it was. I should have rather asked the question: Is the current flow of orders, in relation to completions, likely to make industry depressed in 1958–59? If deliveries exceed orders, as they did in 1957, there is an indication that the credit squeeze has done its work.

I certainly think that some restimulation is needed now. It is depressing that production has continued so low. In the seven years prior to 1955, manufacturing production – which is the most important thing to all of us in this country because it is manufactured goods that we export and it is in the manufacturing industries that research and development must be constantly stimulated – rose 5 per cent a year cumulatively, whereas in 1957, as we know from the figures that we now have for the whole year, production was only a small fraction of 1 per cent above its level in 1955. Thus you have a stationary period which is too long.

The Americans use the expression that, when things are too hot, you have to shake down by a 'rolling readjustment'; that ought not to last more than a year. When you have had a flat level of production for two years and you are running into the third year, then I say that that is too long for a 'rolling readjustment' and that industry needs a renewed stimulus. It can be obtained on the side of the nationalized industries by expediting their plans, which have recently been held back; and it can be obtained on the consumer side by a reduction of taxation.

Wages

I come now to the vexed question of wages, on which problem we have recently had the privilege of the opinion of the Cohen Report. I think that the wages question is not as simple as is sometimes thought, and that the Cohen Report takes an over-simplified view. It comes to the conclusion, by a broad survey of the whole period, that high demand has been mainly responsible for the excessive upward movement of wages. There is no doubt that high demand has played a very big part in pulling wages upwards.

When there was an acute shortage of labour, many firms attempted to raise their rates of pay above those of their competitors, in order to secure their labour supply. Many firms started bonus schemes which get built into the wage structure. When there is high demand, it is found that the wages earned – in the sense of the weekly pay packets taken home – get pulled well above the official trade union rates. That naturally whets the appetite of men who are getting no more than trade union rates, and in the atmosphere of acute labour shortage people are willing to grant increases, because they are worried about their backlog of orders. Their profits are booming; they have a backlog of orders and they want to secure the necessary labour supply. So there is a weakening of resistance to wage increases and the appetites of trades unions are whetted by the spectacle of high profits and of the very high wages paid by many firms. For all these reasons I entirely agree with the Cohen Report that a state of overfull demand, leading to the phenomenon of labour shortage, is conducive to wages being pressed up.

But I would say, on the other hand, that it gives insufficient attention to another factor, which has been fully as important in inducing wages increases since the war as overfull demand; that is the successive increases of the prices we have had to pay for our imports in the period since the war. The Americans took off their controls rather quickly in 1946. World dollar prices rocketed and the prices that we had to pay for imports shot up. That would have happened whether we had domestic inflationary pressure or not.

The other cause, which was no less important, was the devaluation of sterling in 1949; its effects were slightly confused by the Korean war, which caused world prices to rise temporarily. If you iron out the bump in import prices created by the Korean war you will find that the devaluation of sterling probably caused our import prices to rise by something like 30 per cent.

The effects of import prices on our cost of living are very important. You cannot have a rise in import prices without a substantial rise in the cost of living, and you cannot have a substantial rise in the cost of living without higher wages being asked for.

You may say – supposing after 1949 there had been no wage increases – the rise in the cost of living due to the devaluation of sterling might not have been more than 7 or 8 per cent. But the trade unions are not going to see a rise in the cost of living of 7 or 8 per cent without making any wage claim whatever. So they make the wage claim, and then the cost of living rises further, and then they make another. So I would say, contrary to the Cohen Report, which, I think, does not handle this question adequately at all, that in the period 1948–54, the main impetus to the rise in wages was the rising cost of living, itself the inevitable consequence of the devaluation of sterling.

Thus, the successive reasons for wage increases were: first, the rises in import prices after the war, accompanied, it is true, by domestic inflationary pressure here; secondly, the devaluation of sterling; and finally, the industrial investment boom of 1954–55. All these successive reasons have come along and maybe they have got unions into the habit of thinking they will get rises every year. It is quite true that this habit must be broken; people cannot go on having rises when there is no longer a devaluation of sterling to justify them. The time has come when wage increases each year have got to be more moderate if they are not to produce continuing inflation.

I would not deny for a moment that I think those who are engaged in the campaign of trying to persuade labour that it must moderate the annual wage increases it expects, are absolutely sound in their view. The only comment I would make is that, although it is an important fact that we do not want wages and the cost of living to go up by even a small amount each year, this campaign has been a bit over-stressed; and the over-stressing of this one aspect of our affairs has led to a great lack of foreign confidence. The effect on foreigners has been more serious than has been realized.

If we consider the past two years, when the acute inflationary pressure due to the industrial investment boom was over, it must be observed that wage increases have been considerably greater in Germany than here, and not much less in the United States. Very few of the foreign bankers who keep their telephones stretched to sell sterling realize that fact, and some of our 'cry havoc' utterances in this country do not lead foreigners to correct their opinions, and that has been a bad thing for us.

Therefore, although I fully sympathize with the view that we must persuade labour that it cannot have the kind of increases of wages every year to which it has become accustomed and to which, for one reason or another, it has considered it was fully entitled, and while we must go on with that campaign, we must not over-stress it and say that it is the central point in our economy, because it leads the world to have a false view of what we have achieved in this country. Although we have achieved a wonderful increase in production and investment, and although on the whole our labour relations have been good, as a result of this campaign foreigners think that we are the helpless victims of inflation because – so they imagine – we are always giving way to increased wage demands at the pistol point of threatened strikes. We do not do enough to correct that view.

External Balance of Payments

A third subject that has been worrying us is our external balance of payments.

The position has not been too bad on the whole. We have had export surpluses in our external balance except for two bad years. Since 1947 the average balance has not been bad at all. We need a more favourable one; we ought to have one, and we ought to work for one. We can easily get this out of perspective; we should not expect exports to jump up. So long as they go up steadily, that is as much as we can expect. Both since the end of the war to 1950, and from 1953 right up to the present day, the rise of our exports has been fairly steady, and if we can keep that up we will eventually get a more favourable balance. It would be a mistake to try and push exports up at any sudden spectacular rate and we would not be likely to succeed.

But the troubles on this sterling question come, not merely from the true balance of trade and the balance of payments, which is not too bad, but from the fact that we made a grave mistake at the end of the war in not funding the great sterling balances outstanding in consequence of our war expenditure. I believe we ought to have funded these balances. These sterling balances are still a millstone round our necks, because on the slightest wave of lack of foreign confidence in this country they can be sold out against us. Although we did not fund them then, we have made the most remarkable reduction in the sterling balances held outside the sterling area. They were standing, in about 1947, at roughly £1,200 million, and they are now reduced to less than half that figure. That is a great reduction and, having regard to the rise in prices and the increased volume of world trade, the reduction is really much bigger than it looks on the surface. Five hundred million now means much less than five-twelfths of £1,200 million at the end of the war.

I do not believe that, if only somehow confidence could be restored in the future of sterling, we should find the remaining £500 million sterling balances held against us any trouble at all; and probably the foreign holders in question know this. I do not believe that the balances are really excessive any longer, but as soon as there is a fright about the British position, these balances can be sold out as they were last summer.

Some people are very worried about the balances inside the sterling area. They are still very large, but they are not the same kind of menace as the balances *outside* the sterling area. The balances outside can be sold at any moment according to the views of a particular banker. The balances *inside* the sterling area are almost entirely held by the central banks of the Commonwealth countries or by the currency boards of the colonies. They cannot be sold out in a speculative way.

If independent members began using them too quickly we should pursue our previous practice of having meetings of the finance ministers, which have gone very well in the past and which I have no reason to believe will not go very well in the future.

Some of these countries, especially the newly-independent ones, might like to convert their sterling balances into dollars. I do not think they will think along those lines, but will play the game like the older independent members in keeping the sterling area intact, because I think it is to their financial advantage that the sterling area should be kept intact. But if a member should begin to adopt a policy – which would most definitely not be playing the game – of selling out sterling on a substantial scale, not because of need to pay for current dollar commitments, but to build up their own dollar reserves, then it is within our power – and I think we should be perfectly correct in doing so – once again to restrict such a movement, as we have done before. I do not think it is a thing that is likely to happen. But I think foreigners ought to have a greater appreciation that we are not absolutely at the mercy of holders of sterling area sterling balances.

The Sterling Balances Crises •

Before concluding this portion, I cannot resist the temptation to say a word or two about the sterling balances crises of August and September for which I think we had largely ourselves to blame. I happened for other reasons to be watching the situation rather carefully last year and I was horrified by the attitude that we took.

We cannot have a European common market if the currencies are wrongly aligned, and in discussions about this, one thing said was that the German Deutschemark should be valued upwards; it seemed that opinion in this country was supporting that idea. It was well known that nothing in the world would make the Germans value their mark up against the dollar, because as they had a heavy dollar deficiency; it was contrary to reason to believe that they would mark the Deutschemark upwards against the dollar. But the Germans were not entirely unwilling to value the mark up against European currencies and, if the British seemed to be pushing the Germans to value it upwards, what conclusion could be drawn?

Meanwhile, it was known that there would be a meeting of the International Monetary Fund in the last week of September, in Washington, at which the whole subject would be discussed. It was known that the O.E.E.C. ministers were going to meet in Paris in October, to get down to discussing a number of aspects of the European currencies. Here were the British saying that the German mark ought to be valued upwards. It was well known that it would not be valued up against the dollar, so what was the conclusion that could be drawn? You sold sterling. There was nothing else to do. It was simply a question of arithmetic. When the French franc fell, with these meetings I have mentioned coming forward, the obvious thing was to sell sterling for German marks or for dollars.

Some people actually did it and there was speculation. There were also 'leads and lags' in trade payments. As a result the Germans had great swollen receipts of gold. That was the essential point of the story. But our people got much too excited. I was delighted in August to notice that nothing was done by our authorities for weeks. I thought everything was going well and that they were behaving sensibly; I forgot that all our banking people were on their August holidays.

When they returned, what a schemozzle there was! We had the 7 per cent Bank rate. I do not deny that it may have pulled in just a little foreign money, but I do not think it would by itself have pulled in very much. By itself that 7 per cent would have done no good at all. It would have been quite useless but for the meeting at Washington in the next week to which Mr Thorneycroft hurried off.

In Washington the Germans repeated their previous statement that they would not mark the Deutschemark upwards; we agreed that it should not be valued upwards, and Mr Jacobsson, head of the International Monetary Fund, said that in his own opinion the currencies were all right as they were and that there should be no further realignment. These were three important statements, with the Germans, the

British and Mr Jacobsson all saying the same thing. On top of that, something else was done. That was that the meeting to be held in Paris in October by the O.E.E.C. ministers was cancelled. Bankers asked each other if it was likely that in the next two or three months sterling would be devalued. All these high authorities in Washington said it would not be devalued and they even cancelled the meeting at which it was to have been discussed, so that presumably this was not going to be done. People were relieved and stopped holding back their trade payments. The gold came back to the sterling area. The interpretation given to that by many people in this country seems to have been something totally different and, in my view, quite off the mark.

The Present Pattern

Having considered these three great problems, I want to say only a few words about the pattern of the situation as I see it now.

We have had this flattening out, and even depression, of production in this country; similar events have been occurring in Europe. The whole pattern of the last year has been that the import requirements of the industrial countries of the world, which had been going steadily upwards ever since the war, flattened out. The primary producers had been increasing their production year by year, seeing their markets expanding year by year. Then you come to a year when flattening out begins and that caused primary product prices to fall. But the fall in primary product prices was not the first thing that happened.

The first thing that happened was the flattening out in the demand by industrial countries for imported materials. The next thing that happened was that these materials fell considerably in price; and thirdly, America ran into a recession in the latter part of last year. That is the pattern we had. So, what should we do about it? We have not got to think anything more about curbing investment, because investment orders are now low. What we have to think about is: what are we going to do in the face of a situation of world recession? I do not want to be depressing. It may not prove to be very bad.

As regards the United States, I take a slightly different view from many people. I do not believe that the United States is going to become very depressed, because I still believe that they are running through this boom and recession a year behind Great Britain and they will find their economy considerably sustained by their backlog of orders just as our economy has been sustained. So, I believe, the American economy will be sustained in the coming year. But I do not foresee a substantial revival.

The Position in Great Britain

What is our position in this country? On the one hand we have been saying that we want a better balance of trade. We do not regard ours as a sufficiently good balance of trade – though the balance is very good just now, owing to the fall in the prices of imports. But it will not go on being so good, because our exports are bound to fall off. On the other hand, if we are going to re-stimulate our economy and have an expansion, we want more imports. So the fundamental sterling position on the side of the balance of payments is bound to get awkward. What are we going to do about it?

Both parties in this country issued jointly a White Paper in 1944, saying that they were going to maintain a policy for a high and steady level of employment. We have had that; but it has not been because either the Socialists or the Conservatives did anything special when they were in power. It was simply because the demand was such as to cause full employment.

The time has now come when we want to look back to that White Paper of 1944, because now the problem is with us. Anyone can have full employment in a time of boom. Now we have a recession upon us, when world trade is slumping. That is the situation that the White Paper was written for – for maintaining full employment in this country in the face of a world recession. Our central problem now is that we ought to be determined to maintain full employment, as both parties have agreed, which means that we shall need more imports – not less. But we are faced with falling exports owing to a world recession. How are we going to solve that problem?

I hope we will not give way on the side of full employment, by saying 'Oh, well, British industry has got to be slack: our production has got to go into the doldrums because we cannot afford to buy imports'. I assume that we have to maintain production in this country and cut down on imports that are not essential. We have to maintain imports sufficient to keep our factories as busy as they can be, in spite of the fact that our exports are not holding up.

That is the problem as I see it and that is what, I submit, has got to be done. It can be done. It was done in wartime when we sustained an active economy despite the fact that imports were drastically cut by shipping shortage. If we did it before we can do it again. We must not panic over this sterling question and allow unemployment to develop because we cannot afford imports.

Now, you will say, that will put us in a tight position. Can I make a few suggestions?

If we are to have full employment despite the sterling problem, we have to extend that conception from this country to the Commonwealth right away. We must also have full employment in the Commonwealth. I believe we ought to think about that very quickly – this year. We must think about encouraging investment not merely in Britain but in the whole of the Commonwealth. British finance would be available for some parts. And there are colonial sterling balances waiting to be used. British capital goods will become available to provide the vital resources required by Commonwealth investment projects, because our capital goods industries have got relatively slack. It is not a bit too premature to give orders for more British capital goods on account of Commonwealth investment. That is what we should be thinking about now.

If we go forward to the Commonwealth and want to sustain their economies as well as our own, this may mean they will have to increase their imports from outside the Commonwealth area. If you do something on those lines the thing will, I am sure, broaden out. This Commonwealth investment programme is essential to the implementation of the 1944 White Paper. We have to think a little more broadly than we did then.

If we do something on those lines and give it wide publicity, which is very important, all the countries of Europe will become intensely interested. They will say 'We are slumping and our external balances are difficult and we want to be in this circle of sustained prosperity.'

You have heard of all the vexed questions in connection with European free trade area which are proving so troublesome; that the French are dragging their feet and that discussions are proceeding on a narrow plane and all sorts of trivial objections are being raised. When they see that investment in the Commonwealth is sustaining an area of full employment and prosperity in the Commonwealth, while the outside world is slumping, the European countries will change their attitude. They will want to be associated; they will ask whether this can be made a European-Commonwealth area.

Help from America ?

Finally, you may say 'What about the United States?' I am absolutely convinced that it would be a wrong policy to go to the Americans, hat in hand, and say to them 'Look, there is a world slump. What can you do for us? Can you give us some aid or give grants to help cure the world slump?' I do not think that is the right approach. I think we should act for ourselves and immediately afterwards in the Commonwealth, and then we shall see the nations of Europe being interested and wanting to be associated with the self-help here.

If the Americans do not like the inevitable corollary of such a policy, which is restriction on imports from the dollar area imposed simply for the protection of sterling and of the European currencies, then they can join us. But they ought to come in on their own initiative because they want to do so, and because they can see that we are helping ourselves. If the Americans did that we should be delighted. We should then say 'We do not want any restrictions on dollar goods if you on your side can conceive of a great world scheme to give the world plenty of dollars to spend, thereby sustaining employment in your own country.' But they must come in, of their own notion, and that is only likely to happen in the second round.

The order must be self-help first. We must not go to America for help again. We have been 'hat in hand' to them so many times in the past. It is self-help first and then let the Americans, if they feel so inclined, come forward with a scheme for helping the whole world out of the slump. Once they did that, we should gladly remove all restrictions on dollar goods.

POSTSCRIPT

I have been asked to add an up-to-the-minute postscript on this lecture.

It will be noted that I said, 'As regards the United States, I take a slightly different view from many people. I do not believe that the United States is going to become very depressed.' So far that prediction has been justified. More recent figures on European and American imports have also justified my stress on the causal chain of events – first European flattening out, secondly fall in primary product prices, and, only thirdly, American recession. That causal chain is of the first importance.

On March 11th the British authorities had not begun to show signs of recognizing the need for credit relaxation, and I accordingly argued the point strongly; very soon afterwards the first assurances, that policy would be reversed as soon as the time was ripe, began to be uttered, and measures were adopted in due succession. A still lower Bank rate is to be desired, but advance there has to be cautious owing to the external sterling balances. In other respects a monetary background for expansion has been provided; now we need a positive stimulus. I suggested that this could be given by expediting the plans of the nationalized industries and reducing taxation. That still holds good.

Very important is the warning that we must not get panicky and restrain our own expansion, if we see our exports falling; this is still likely to happen before we feel the counter effects of a world recovery, which has not yet begun.

The need to bring the whole Commonwealth into a full employment area has now become still more apposite, owing to the forthcoming conference. References to the project for a 'Commonwealth Bank' suggest that this has received recognition. But a Bank may not be the right way to start, having regard to Commonwealth sentiment. It is better to start with bold plans for British investment in the rest of the Commonwealth to be implemented in a large variety of ways, and to bring in the Bank as a useful co-ordinating agency later.

Finally, the warning against waiting for an American initiative remains supremely important. If the meetings of the I.M.F. and the International Bank at Delhi show that they are willing to add something to world liquidity, that will be excellent. The most important thing that they can do for the world, to start with, is to give first priority to sustaining their own production and import requirements. It is for us to go forward quickly with our own plans, both in the Commonwealth, and, through O.E.E.C. machinery in Europe, for maintaining activity in the non-dollar world. – *R. H.*

Weekly Notes

Municipal Treasurers' Examinations

A TOTAL of 722 candidates sat for the examinations of The Institute of Municipal Treasurers and Accountants held in May, and of these 33 per cent were successful. In Part A of the Final examination, 79 candidates (31 per cent) passed, while in Part B, 61 (35 per cent) were successful.

There were 296 candidates for the Intermediate examination of whom 99 (33 per cent) passed.

Places and prizes will be awarded on the combined results of the May examinations and those to be held in November. A list of the successful candidates in the two parts of the Final, together with a summary of the complete results, appears elsewhere in this issue.

Stock Exchange Firms' Accounts

IN our issue of April 26th of this year, we referred in a Weekly Note to alterations proposed by the Council of the Stock Exchange to Rule 79*a* – promulgated originally in 1954 – which deals with the preparation of the annual financial accounts of members and the reports of the accountants thereon. The alterations themselves have now been re-drafted to make for greater clarity and the rule, which is subject to confirmation next Monday, now reads:

(1) Every firm or member trading on his own account shall cause a balance sheet to be prepared and presented by a qualified accountant independent of the firm or member, and every partner in a firm and every member trading on his own account shall be required to include in his application for re-election to membership, a statement as to compliance with the provisions of this rule.

(2) There shall be made available to the accountant all the books of account and supplementary records to enable him to prepare a balance sheet therefrom and he shall be furnished with such information and explanations as he may reasonably require.

(3) The balance sheet shall be made up as at a date which is not, without the consent of the Council,
  (*a*) earlier than the commencement of the year for which re-election is being sought by more than eighteen months and
  (*b*) later than the date as at which the balance sheet referred to in the previous application for re-election was made up by more than twelve months.

(4) The balance sheet must be presented to the firm or member by the accountant within six months of the date as at which such balance sheet is made up.

(5) There shall be attached to such balance sheet a report to the firm or member by the accountant stating
  (*a*) whether the balance sheet has been prepared and presented in accordance with the provisions of this rule and
  (*b*) whether his work has been limited to the preparation of the balance sheet from the books and supplementary records or whether, by arrangement with the firm or member, he has in addition carried out any audit work, and if so the scope of such work.

The term 'qualified accountant' is defined in a footnote to the rule as a member, or a firm whose partners are members, of one of the three chartered bodies or of The Association of Certified and Corporate Accountants.

A Building Society's Affairs

THE Stationery Office has published the interim report of the inspector appointed by the Registrar of Friendly Societies in February of this year to examine into and report on the affairs of the Blackpool Building Society, a registered society with its chief office at 30–31 Park Lane, London, W1. The report explains that it was not possible to issue a final report as the inspector was awaiting further information, but there were matters of more than ordinary importance on which he thought it proper to bring his inquiries to an end without reference to the more protracted inquiries into the affairs of the society generally. Accordingly he took evidence on oath on May 8th and 20th. The inspector says in this interim report that he has arrived at two definite conclusions. The first was that the society had not a board of directors constituted in accordance with its rules. The second was that the society's secretary and managing director had wilfully deceived its members by falsely showing in the statement of accounts for 1956, which he had prepared and published, that the society had made a profit of 18*s* 6*d* instead of a loss in excess of £3,000.

No Change in Building Society Rates

A STATEMENT has been issued by the Building Societies Association to say that most building societies will not be able to change the existing structure of their interest rates in response to the latest reduction in Bank rate on June 19th. The Association points out that any general reduction in mortgage interest rates would have to be preceded by reduction in their rates offered to investors. These rates depend very much upon the level of rates offered by other bodies which compete with the building societies.

Increased interest rates were recommended by the Council of the Association in July 1956 when the minimum rate on new advances was put at 6 per cent. Since then, the rates payable by most other borrowers have been raised to that level. These rates, says the announcement, have been held stable despite five changes in Bank rate. During that period, interest rates have tended to increase for borrowing in general outside the building society movement in response to the critical increase in Bank rate to 7 per cent last September and the result has been that the net inflow of funds to building societies has hardly kept pace with the high demand for mortgages. In the second quarter of 1957 the net inflow of funds for a representative half of the building society movement was £32 million. In the second quarter of 1958, the net inflow for the same group was £28 million, a drop of 9 per cent. Over the same period the fall in mortgages has been 10 per cent.

Three Companies Wound Up

LAST Monday, Mr Justice Wynn-Parry made an order for the compulsory winding-up of Peto Scott Electrical Instruments Ltd, of Weybridge, Surrey. The petition had been adjourned for fourteen days on June 30th (not July 7th as reported in our issue last week). There was some opposition to the compulsory winding-up, both from the company and from certain of its creditors. His lordship said that on the figures before him and the fact that the company was in the hands of a receiver he must make the compulsory order. Counsel for the company said that if the assets realized their estimated total there should be about 15*s* in the £ for the unsecured creditors.

The judge also made compulsory orders in the cases of Finance and General Transport Credit Co Ltd and Edgar Percival Aircraft Ltd.

Bank's £1,607,433 Liabilities

THE first meeting of creditors of Comcor Ltd, merchant bankers, of Leadenhall Street, EC, were told that its liabilities were estimated at £1,607,433. The statement of affairs submitted by Mr Eli Karlin, managing director, showed assets estimated to realize £717,525, including £631,879 debts. Mr F. M. Collins, senior official receiver, said that in the absence from the country of Mr Karlin, and of Mr Nathan Albert, the internal auditor, and in the absence of completed accounts, the affairs of the companies concerned could only be recorded with the utmost reserve. These companies include Pena Industries Ltd, Paragon Holdings Ltd, and Enganor Finance Ltd, all of which are in liquidation. Mr Collins added that the police were investigating the affairs of the Pena group and the Paragon group.

Life Interest in Unissued Bonus Shares

IF a life-tenant releases his life interest in the trust property but dies within five years, the property normally attracts estate duty on his death (Finance Act, 1940, Section 43). In *Pye-Smith v. C.I.R.* (*The Times*, July 9th, 1958), a holding of 14,000 ordinary shares in Samuel Osborn & Co Ltd was held on the trusts of a marriage settlement. On July 30th, 1952, the company resolved on a 'one-for-one' bonus issue and agreed to allot 14,000 bonus shares to the trustees of the settlement, which they were entitled to renounce on or before September 10th, 1952. The life-tenant had given instructions for a deed of release which was prepared and engrossed on July 29th, 1952, and expressed to be dated July 31st, 1952. By it she surrendered her life interest in 10,000 of the bonus shares in favour of her two children. It was executed in August 1952, when the trustees returned the allotment letter to the company with a request for three split allotment letters for 5,000 shares, 5,000 shares and 4,000 shares. The life-tenant died within five years of the deed of release, and the Inland Revenue claimed duty on the 10,000 shares.

The trustees contended that the life-tenant had never had a life interest in them. Rejecting this contention, Mr Justice Danckwerts said that the release was executed on the footing that the life-tenant was surrendering her life interest. The agreement of July 30th was binding on the company and on the trustees. True, the latter could renounce, but until they did so they were entitled to the shares, and the life-tenant had a life interest in them. Estate duty was payable on them on her death.

'Notice' of Price-maintenance Condition

SECTION 25 (1) of the Restrictive Trade Practices Act, 1956, empowers a supplier of goods to enforce a price-maintenance condition against third parties who acquire the goods 'with notice of' the condition. In *Goodyear Tyre & Rubber Co (Great Britain) Ltd v. Lancashire Batteries Ltd* (*The Times*, July 9th, 1958), the British Motor Trade Association had issued a circular to traders to the effect that certain manufacturers (including the plaintiff) supplied their products subject to a price-maintenance condition, details of which might be obtained on application to the respective manufacturers. The defendant duly received one of the circulars on May 31st, 1957, but received no other notice of the conditions of resale. It sold goods of the plaintiff, including tyres, at a 10 per cent discount, whereupon the plaintiff brought proceedings for an injunction to restrain the defendant from selling the plaintiff's goods at cut prices.

Mr Justice Upjohn held that 'notice' under Section 25 (1) meant full notice of the precise conditions as found on the plaintiff's price list, and he therefore refused the injunction. On appeal, the Court of Appeal have reversed this decision, holding that the circular was sufficient notice. The Master of the Rolls said that two things were clearly established in the case: the defendant had express notice of the fact that the goods were the subject of a price-maintenance condition; secondly, they had been told where they could obtain the exact terms of the condition. On the analogy of the 'railway ticket' cases, this was sufficient notice to bind the defendant. The defendant then gave an undertaking in place of the injunction, pending trial of the action.

What is a Nuptial Settlement?

THE Court of Appeal on Monday allowed the appeal of Mr T. P. Fellowes from a judgment of Mr Justice Stevenson that a deed entered into between Mr Fellowes and Lady (Elizabeth Helen) Prescott on June 19th, 1953 (the day before their marriage) was an ante-nuptial settlement within the meaning of Section 25 of the Matrimonial Causes Act, 1950. Section 25 provides that the Court may

> 'after pronouncing a decree for divorce . . . inquire into the existence of ante-nuptial and post-nuptial settlements made on the parties . . . and may make such orders with reference to the application of the whole or any part of the property settled . . . as the Court thinks fit.'

By clause 1 of the deed, the wife agreed 'in consideration of' the intended marriage to transfer to the husband 'as an absolute gift unaffected by anything hereinafter contained', securities to the value of £15,000. The securities were transferred to the husband in July 1950 and the marriage was dissolved on the petition of the wife in January 1958. Lord Justice Hodson said that the transfer was not, strictly speaking, an absolute gift since it was made in consideration of marriage, but still there was no settlement in the ordinary sense of the word as used by conveyancers. It had been argued that the word as used in Section 25 and its predecessors had been given a wider meaning. Accepting that contention as correct, nevertheless some effect must be given to the word 'settled'. *Smith v. Smith* (617 T.L.R. 331) and *Halpern v. Halpern* ([1951] p. 94) went beyond the latitude warranted by the earlier authorities. The transfer of securities in the present case was not a settlement (*Prescott* (*formerly Fellowes*) *v. Fellowes* (*The Times*, July 15th, 1958)).

P.E.P. on the Free Trade Area

A PAMPHLET has now been issued by Political and Economic Planning called *Problems of Freer Trade in Europe* (price 2*s* 6*d*). This comes at a time when the whole free trade area project is held up while the French political position crystallizes. France announced recently that it would find itself unable to proceed further with the liberalization of trade within the Organization for European Economic Co-operation under the liberalization code. This is a clear indication that France is likely to be very hard put to it in order to meet the spirit and the letter of the Treaty of Rome which establishes the European Economic Community. It will be recalled that this Treaty brings together France, Western Germany, Italy, Holland and Benelux in a common tariff zone. This community is a political and economic fact while the free trade area remains only an idea.

The new P.E.P. pamphlet does a service in emphasizing the difference in the basic concepts of the free trade area and the European common market (which is established under the Treaty of Rome). The signatories of the Treaty of Rome have accepted the possibility, in varying degrees of enthusiasm, that they are on the road to political unity. The European common market is therefore basically a political concept. The free trade area, however, is basically an economic concept. This is a fundamental difference which lies at the root of much of the difference of opinion as to whether the free trade area should ever be established.

Paradoxically, however, as time passes and it becomes increasingly difficult to realize the British timetable on the free trade area (which was to establish the area by January 1959), the greater becomes the interest of all members of the European common market except France to see it established. The Dutch have favoured it all along and the Germans have become increasingly positive in their views. Even the Italians have struggled to produce compromise ideas which will make it possible for the free trade area and the European common market to live together. The French crisis apart, it is clear that there is a great urge to unity in western Europe at the present time. The prestige of O.E.E.C. is an outstanding proof of this. As the pamphlet rightly points out, there are now enough constructive compromise ideas in circulation on both the European common market and the free trade area to make a viable free trade area operate in some form. What has now to be proved is that there is a will to do it.

Bigger Trade Gap

IN June the London dock strike brought about a serious reduction in the level of this country's exports, to the lowest level, in fact, since September 1956. They declined from £302 million in May to £232 million. By comparison, imports were only down by about £8 million and the trade gap increased in consequence from just under £7 million to £68·5 million.

This increase in the trade gap was thus due mainly to the distortion of the strike. For the six months as a whole, the external trade position was exceedingly encouraging. The visible trade gap was only £176 million compared with £341 million in the same period of 1957. If allowance is made for the fact that the visible trade gap makes the very unreal assumption that freight and insurance on imports are paid in a currency other than sterling and that freight and insurance on exports cost foreign exchange, the picture is much more favourable to sterling. So far as the balance of payments is concerned, allowance has got to be made for a number of other invisible items and when these are all taken into account it is possible that the United Kingdom has been running a surplus of the order of £450 million a year in the first six months of 1958.

It is too soon to say yet what effect the new Middle East crisis will have on the £. A deterioration in the international situation is usually reflected in pressure on sterling. Had it not been for the revolt in Iraq, the seasonal autumn pressure on the £ would probably have been absorbed without a serious drain on the reserves. This may still be so, but the Iraq situation adds a further complication.

Finance and Commerce

Merchant Bankers

THIS week's reprint gives the accounts for the year ended December 31st, 1957, of Singer & Friedlander Ltd, merchant and investment bankers. The business was started in 1907 by the late Mr Julies Singer. He was joined in partnership in 1913 by the late Mr Ernest Friedlander, one time chairman of the Johannesburg Stock Exchange. The partnership was converted into a private company in 1933 and in December last year, the shares were marketed on the London Stock Exchange. Dealing in the ordinary started at about 36*s*. The current price is around 42*s*.

The business now ranges from international arbitrage to that of an issuing house. It includes the financing and development of commercial and industrial undertakings and the supervision of private investment funds. The company's name is frequently seen as an intermediary in share bids. A separate company, Singer & Friedlander Inc, operates in New York as investment bankers and security dealers.

It is a type of business which is somewhat new to this column, possibly because the number of publicly owned companies of this nature is comparatively small. Our reprint therefore provides accounts rather out of the ordinary company run and provide an interesting example of the manner in which merchant and investment banking accounts are drawn up.

Meeting Time

WHAT is the right time of day for a company meeting? Most public companies make it midday, but if one were suddenly faced with the question, the ready reply would most probably be: the hour most convenient to the majority of the shareholders. But the majority of shareholders seldom, if ever, attend their companies' meetings; and after all, it is hardly practical to expect them to do so.

We raise the point because the directors of A. J. Wait (Holdings) Ltd fixed 7.30 in the evening at *The Piccadilly Hotel*, London, for their annual meeting. The company has, it is understood, quite a number of employee shareholders for whom the best time for the meeting is when they have finished their day's work and the board took the view that there were probably not a few other shareholders who might find the evening a better time than midday.

The fact is, of course, that company meetings are largely a matter of form, relations between the company and its shareholders being maintained through the post. It can hardly be otherwise, when shareholders are numbered in thousands and scattered all over the country. The report and accounts, as we suggested long ago, should contain all that a board has to communicate to the members.

This was emphasized at the recent presentation of *The Accountant* Annual Awards when Mr Bertram Nelson, C.B.E., J.P., F.C.A., a member of the panel of judges, said: 'Today the directors' account of stewardship is incomplete without a clear and comprehensive annual report or chairman's address.' In other words, it is fair to infer, a 'chairman's address' should form part of the annual report and accounts.

The Office a Productive Unit

LEO (Lyons Electronic Office), the electronic computer developed by J. Lyons & Co Ltd, receives a large measure of notice in the annual statement of the chairman, Mr I. M. Gluckstein. And in telling shareholders about LEO, Mr Gluckstein has a wealth of sound business common sense to impart. Lyons' office organization is regarded as a productive unit and not as a 'necessary evil'. It is not sufficient that the offices should be efficient in themselves, in their machines and procedures. They should also contribute a great deal towards productivity by feeding creative information to all levels of management.

In this information service, Mr Gluckstein puts junior management first. 'Our belief is that while it is imperative that top management should be properly served, it is nowadays just as important that the most junior ranks of responsible management should be served, and served first, with the information they need to discharge their respective responsibilities effectively.'

'It is through them', Mr Gluckstein says, 'that the business is actually conducted and unless they have the best information that is available, the business cannot be as productive as it should be, whatever may be the ability and knowledge of the men at the top.

'This is not to add still further', Mr Gluckstein continues, 'to the flood of figures which already threatens to overwhelm management. On the contrary, by ensuring that information is supplied to the most junior level of management which can use it, and by proper use of new tools like the electronic computer, we are confident that the outcome will be a substantial reduction in the sheer volume of figures produced by our offices. And those that remain will be much more meaningful and useful to the people who use them.

'This is the service', says Mr Gluckstein, 'which we expect from a productive office.'

Next Week's Reprint

The accounts of Courtaulds Ltd will provide the reprint in next week's issue.

SINGER & FRIEDLANDER LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Year to 31st. December, 1956					Year to 31st. December, 1957	
£	£	£			£	£
		448,531	Profit on Dealing, Interest, Income from Investments and Trade Investments, etc. (after eliminating unrealised inter-company profits), less provisions for Doubtful Debts			391,662
			After deducting:—			
	119,010		General Office Expenses including Salaries and Staff Bonus		120,316	
10,375			Directors' Remuneration and Allowances (see Note 7 to Parent Company's Balance Sheet)	23,500		
25,000	35,375		Managing Directors' Additional Remuneration (see Note 7 to Parent Company's Balance Sheet)	16,420	39,920	
	1,800		Audit Fees		2,080	
	2,916	159,701	Capital Expenditure written off in respect of Office Furniture and Equipment, Fixtures and Fittings and Motor Cars, less Sales		9,226	171,542
		289,430	There remained a Net Profit for the year before taxation of			220,120
	—		Formation Expenses of a Subsidiary Company written off		651	
	—	—	Expenses of Conversion to a Public Company and obtaining a quotation on The London Stock Exchange for the Preference and Ordinary Shares		5,657	6,308
		289,430	Leaves			213,812
			The estimated charge for taxation based on the profits of the year is:—			
	122,969		United Kingdom Income Tax		100,843	
	1,726		United Kingdom Profits Tax		—	
	171		South African Taxation		180	
	—		United States of America—Federal and State Tax		1,854	
	124,866				102,877	
	493	124,373	Adjustments in respect of previous years		826	103,703
		165,057	Leaving a Net Profit for the year after taxation of			110,109
		5	From this must be deducted the proportion of profit of a Subsidiary Company applicable to Minority Members			6
		165,052	Profit for the year after taxation applicable to members of Singer & Friedlander Limited			110,103
			To this must be added the balance on Profit and Loss Accounts brought forward from 1956:—			
	264,569		Parent Company		220,829	
	51,612	316,181	Subsidiary Companies		54,068	274,897
		481,233	Making a total of			385,000
			The following dividends having been paid by the Parent Company:—			
	5,031		Preference Shares—5% per annum, less tax at 8s. 6d. in the £, for the half years ended 30th. June, 1957, and 31st. December, 1957 (Paid 1st. July, 1957, and 1st. January, 1958)		5,031	
	7,439	12,470	Ordinary Shares—Interim at 2½%, less tax at 8s. 6d. in the £ (Paid 1st. October, 1957)		7,439	12,470
		468,763	There remains a balance of			372,530
	177,500		The Directors have transferred to General Reserve		—	
	16,366	193,866	and recommend the payment of a Final Dividend on the Ordinary Shares at 7½%, less tax at 8s. 6d. in the £ (payable 4th. July, 1958)		22,317	22,317
		£274,897	Leaving a balance to be carried forward as per the Consolidated Balance Sheet of			£350,213
		220,829	The proportion of the above retained in the Parent Company is			291,396
		54,068	and in the Subsidiary Companies			58,817
		£274,897				£350,213

SINGER & FRIEDLANDER LIMITED and SUBSIDIARY CO[illegible]NIES

CONSOLIDATED BALANCE SHEET as at 31st. December, 1957.

1956 £	1956 £		£	£
		SHARE CAPITAL OF SINGER & FRIEDLANDER LTD.:—		
		Authorised:		
175,000		175,000 5% Cumulative Redeemable Preference Shares of £1 each	175,000	
517,500		517,500 Ordinary Shares of £1 each	517,500	
57,500		57,500 Unclassified Shares of £1 each	57,500	
£750,000			£750,000	
		Issued:		
175,000		175,000 5% Cumulative Redeemable Preference Shares of £1 each, fully paid (Redeemable on or after 1st. January, 1957)	175,000	
517,500	692,500	517,500 Ordinary Shares of £1 each, fully paid ..	517,500	692,500
		CAPITAL RESERVES:—		
177,135		Parent and Subsidiary Companies	177,135	
50,498		Arising on Consolidation	50,498	
227,633			227,633	
—		*Less:* Difference on Exchange arising on Consolidation	6,762	
	227,633			220,871
		RESERVE AND SURPLUS:—		
750,000		General Reserve	750,000	
274,897	1,024,897	Profit and Loss Account Balance	350,213	1,100,213
		DEFERRED LIABILITY:—		
	54,445	Provision for 1958/59 Income Tax		7,500
	1,999,475			2,021,084
		MINORITY INTEREST IN A SUBSIDIARY COMPANY:—		
200		Par Value of Share Capital held	200	
61	261	Share of Profit and Loss Account Balance	67	267
	1,999,736			2,021,351
		CURRENT LIABILITIES:—		
950,000		Loans from other Banks (Secured)	755,000	
2,793,551		Sundry Creditors and Credit Balances	3,301,120	
2,516		Dividend for half-year to 31st. December, 1957, on 5% Cumulative Redeemable Preference Shares, less tax at 8s. 6d. in the £ (paid 1st. January, 1958)	2,516	
16,366	3,762,433	Proposed Final Dividend on Ordinary Shares, less tax at 8s. 6d. in the £	22,317	4,080,953
	61,186	LIABILITIES IN RESPECT OF GUARANTEES AND COMMERCIAL CREDITS ON BEHALF OF CUSTOMERS PER CONTRA		37,182
	£5,823,355			£6,139,486

1956 £	1956 £		£	£
		CURRENT ASSETS:—		
		CASH AT BANKERS AND ON HAND:		
680,914		Sterling in London	623,415	
223,513	904,427	Currency Balances at Bankers and Agents abroad	391,790	1,015,205
		INVESTMENTS:		
1,131,726		Quoted on a recognised Stock Exchange in Great Britain	1,202,032	
222,283		Quoted on a Stock Exchange of repute outside Great Britain	432,109	
1,354,009		Total Quoted Investments (see Note 1) ..	1,634,141	
31,075	1,385,084	Unquoted (Directors' Valuation £537,660) ..	537,544	2,171,685
		DEBTORS:		
	3,437,995	Sundry Debtors and Debit Balances, less Provision for Doubtful Debts		2,904,463
	5,727,506	TOTAL CURRENT ASSETS ..		6,091,353
		FIXED ASSETS:—		
		TRADE INVESTMENT:		
25,000		Shares in Associated Company—Cost (see Note 4)	—	
		OTHER FIXED INVESTMENTS:		
4,639		Unquoted at cost or under (Directors' Valuation £22,180)	8,752	
5,024		Leasehold Land and Buildings at cost, less sales ..	2,199	
	34,663	TOTAL FIXED ASSETS ..		10,951
	61,186	LIABILITIES OF CUSTOMERS IN RESPECT OF GUARANTEES AND COMMERCIAL CREDITS GRANTED ON THEIR BEHALF, PER CONTRA		37,182
	£5,823,355			£6,139,486

Notes: (1) Quoted Investments are valued at the lower of cost or middle market prices at 31st. December, 1957. The value at middle market prices was £1,840,178. Investments officially quoted in the United States of America (where not also officially quoted in Great Britain) have been valued at the United States price converted at the current rate of exchange. The premium obtainable if the investments were sold in London has been ignored.

(2) One of the Subsidiaries is a South African Company, whose figures have been incorporated at par. Apart from this, foreign currencies have been converted at quoted rates of exchange, where such rates existed. The premium mentioned in (1) above has been ignored in converting Re-investment Dollar Balances into Sterling.

(3) All the fixed assets have been written off, with the exception of Unquoted Investments and Leasehold Land and Buildings. It is not practicable to ascertain the original cost and total amounts written off.

(4) During the year some of the shares in the Associated Company were sold at a profit. This has been used to reduce the book value of the remaining shares to nil.

(5) There are contingent liabilities of £9,000 in respect of Uncalled Capital of an Unquoted Investment and £39,799 in connection with indemnities given, mainly arising from share certificates lost in transit to South Africa.

(6) Provisions and Reserves have been made for taxation on profits to date.

SINGER & FRIEDLANDER LIMITED

BALANCE SHEET as at 31st. December, 1957.

1956 £	1956 £		£	£
		SHARE CAPITAL:—		
		Authorised:		
175,000		175,000 5% Cumulative Redeemable Preference Shares of £1 each	175,000	
517,500		517,500 Ordinary Shares of £1 each	517,500	
57,500		57,500 Unclassified Shares of £1 each	57,500	
£750,000			£750,000	
		Issued:		
175,000		175,000 5% Cumulative Redeemable Preference Shares of £1 each, fully paid (Redeemable on or after 1st. January, 1957)	175,000	
517,500	692,500	517,500 Ordinary Shares of £1 each, fully paid ..	517,500	692,500
		RESERVES AND SURPLUS:—		
14,036		Capital Reserve	14,036	
750,000		General Reserve	750,000	
50,445		Income Tax Schedule "D" 1958/59 on Profits to date	—	
220,829	1,035,310	Profit and Loss Account Balance after providing for the proposed Dividend	291,396	1,055,432
	1,727,810			1,747,932
		CURRENT LIABILITIES:—		
950,000		Loans from other Banks (Secured)	755,000	
2,730,331		Sundry Creditors and Credit Balances	3,272,764	
243,265		Amount due to Subsidiary Companies	14,915	
1,727		Profits Tax on Profits to date..	—	
2,516		Dividend for half-year to 31st. December, 1957, on Cumulative Redeemable Preference Shares, less tax at 8s. 6d. in the £ (paid 1st. January 1958) ..	2,516	
16,366	3,944,205	Proposed Final Dividend on Ordinary Shares, less tax at 8s. 6d. in the £	22,317	4,067,512
	61,186	LIABILITIES IN RESPECT OF GUARANTEES AND COMMERCIAL CREDITS ON BEHALF OF CUSTOMERS AS PER CONTRA		37,182
	£5,733,201			£5,852,626

G. W. RENDEL
F. HOCK
I. A. CRABBIE } *Directors.*

J. A. E. HUG, *Secretary.*

1956 £	1956 £		£	£
		CURRENT ASSETS:—		
		CASH AT BANKERS AND ON HAND:		
669,959		Sterling in London	614,179	
213,245	883,204	Currency Balances at Bankers and Agents abroad	363,777	977,956
		INVESTMENTS:		
905,923		Quoted on a recognized Stock Exchange in Great Britain	980,256	
222,283		Quoted on a Stock Exchange of repute outside Great Britain	117,708	
1,128,206		Total Quoted Investments (see Note 1)	1,097,964	
31,075	1,159,281	Unquoted (at Directors' Valuation)	15,795	1,113,759
		DEBTORS:		
3,437,591		Sundry Debtors and Debit Balances, less Provision for Doubtful Debts	2,899,336	
5,750		Dividend Receivable from Subsidiary Company Net (since received)	8,625	
—	3,443,341	Amounts owing by Subsidiary Companies ..	475,428	3,383,389
	5,485,826	TOTAL CURRENT ASSETS ..		5,475,104
		FIXED ASSETS:—		
		TRADE INVESTMENTS—Cost:		
161,189		Subsidiary Companies	340,340	
25,000	186,189	Associated Company (see Note 5)	—	340,340
	61,186	LIABILITIES OF CUSTOMERS IN RESPECT OF GUARANTEES AND COMMERCIAL CREDITS GRANTED ON THEIR BEHALF, PER CONTRA		37,182
	£5,733,201			£5,852,626

Notes: (1) Quoted Investments are valued at the lower of cost or middle market prices at 31st. December, 1957. The value at middle market prices was £1,215,240. Investments officially quoted in the United States of America (where not also officially quoted in Great Britain) have been valued at the United States price converted at the current rate of exchange at 31st. December, 1957. The premium obtainable if the Investments were sold in London has been ignored.

(2) Foreign Currencies have been converted at quoted rates of exchange, where such rates existed. The premium mentioned in (1) above has been ignored in converting re-investment Dollar Balances into Sterling.

(3) All the fixed assets have been written off and it is not practicable to ascertain the original cost and total amounts written off.

(4) There are contingent liabilities of £9,000 in respect of Uncalled Capital of an Unquoted Investment and £39,799 in connection with indemnities given, mainly arising from share certificates lost in transit to South Africa.

(5) During the year some of the shares in the Associated Company were sold at a profit. This has been used to reduce the book value of the remaining shares to nil.

(6) Provisions and Reserves have been made for taxation on profits to date.

(7) The Managing Directors' Remuneration is calculated in accordance with the new service agreements. These agreements supersede the clauses dealing with the Managing Directors' Remuneration under the old Articles of Association.

CITY NOTES

THE niceties of market calculations on interest rate and general economic trends have been put completely out of gear by the events in Iraq. Signs of increasing petrol and oil consumption in the United States and the persistent firmness on Wall Street had resulted in the building up of a sizeable 'bull' position in oil shares before last week-end. The enforced closing of this position inevitably resulted in heavy price losses.

Similarly, in the gilt-edged market, where dealings are for cash and not for the 'account', a semi-speculative situation had developed in which there had been strong support for undated stocks in anticipation of an early Bank rate cut. The fall in the Treasury bill rate to 4 per cent and the reduction in local loan rates fortified the growing opinion that another Bank rate cut was imminent.

Now political considerations are in command of the market and investors who were obviously preparing to take a more positive interest in the market are back on the defensive.

But for the new Middle East developments much more would probably have been spoken of the prospects of a greater degree of convertibility for sterling. The Chancellor's indication of possible action in the international currency sphere and the assumption that moves may be afoot to strengthen the position of the International Monetary Fund and the World Bank have led to an impression that action might be taken to inject a greater degree of stability into the free world international currency system.

RATES AND PRICES

Closing prices, Wednesday, July 16th, 1958

Bank Rate

Jan. 27, 1955	3½%	Sept. 19, 1957	7%
Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%

Treasury Bills

May 9	£5 3s 10·81d%	June 13	£4 10s 1·77d%
May 16	£5 3s 11·49d%	June 20	£4 5s 9·63d%
May 23	£4 16s 5·96d%	June 27	£4 5s 10·67d%
May 30	£4 16s 3·84d%	July 4	£4 3s 5·23d%
June 6	£4 14s 5·72d%	July 11	£4 0s 3·79d%

Money Rates

Day to day	3–3⅞%	*Bank Bills*	
7 days	3¾–4%	2 months	4⅛–4³⁄₁₆%
Fine Trade Bills		3 months	4⅛–4³⁄₁₆%
3 months	5–5¾%	4 months	4⅛–4³⁄₁₆%
4 months	5–5¾%	6 months	4⅛–4¼%
6 months	5¼–6%		

Foreign Exchanges

New York	2·80³⁄₁₆–¼	Frankfurt	11·67⅜–⅝
Montreal	2·68⅝–¹¹⁄₁₆	Milan	1737–⅞
Amsterdam	10·56⅛–⅜	Oslo	19·99–¼
Brussels	139·00–·05	Paris	1172½–3
Copenhagen	19·33⅜–⅝	Zurich	12·18¼–½

Gilt-edged

Consols 2½%	50⅝	Funding 4% 60–90	87¼
Consols 4%	73¾x.d.	Savings 2½% 64–67	81¼
War Loan 3½%	66⅞	Savings 3% 55–65	89x.d.
Conversion 3½%	67	Savings 3% 60–70	78⅜
Conversion 3½% 1969	86⅜	Savings 3% 65–75	72x.d.
Exchequer 5½% 1966	102⅝	Treasury 2½%	49⅞
Funding 3% 66–68	81½x.d.	Treasury 3½% 77–80	75½
Funding 3% 59–69	81	Treas'ry 3½% 79–81	74½x.d.
Funding 3½% 99–04	71⅜	Victory 4%	93½

Current Law

Mortgagee's Claim to Possession

THE defendant mortgagors in *Grace Rymer Investments Ltd v. Waite and Others* ([1958], 1 All E.R. 138) were the same as the defendant mortgagors in *Hughes v. Waite* ([1957], 1 All E.R. 603), which was noted in *The Accountant* of October 5th, 1957, and the later case, as the earlier, sprang from their fraud; but whereas in the earlier case the plaintiff mortgagee succeeded in her claim to possession of the mortgaged property, in the later case the plaintiff company in a similar claim failed.

The defendant mortgagors, having agreed to purchase the property and to leave part of the purchase price on mortgage, let the property in flats to tenants. The land was registered land, and the transfer to the mortgagors and the charge in favour of the plaintiff were not registered until after the tenants had gone into occupation.

Danckwerts, J., held that there were oral lettings completed by entry on the part of the tenants before the date of the mortgage. The tenants' rights were overriding interests within Section 70 (1) (*g*) of the Land Registration Act, 1925, and the plaintiff's title as mortgagee was subject to those interests by virtue of Section 20 (1) of that Act. The learned judge held that it made no difference that the mortgagors had obtained from the tenants rent in advance which constituted premiums unlawfully demanded, contrary to the Landlord and Tenant (Rent Control) Act, 1949.

The fact that the landlords had committed an offence did not invalidate the tenants' titles.

Practicability of Charitable Object

THE testator in *Re Tacon, Public Trustee v. Tacon and Others* ([1958], 1 All E.R. 163) bequeathed a one-sixth share of his residuary estate on trusts creating a vested remainder for the establishment of a convalescent home, a charitable purpose, to take effect at a distant future time and liable to be defeated only by the event of his daughter having issue who should attain a vested interest, a contingency which might not occur. The testator died in 1922 when his daughter was 39 years old and she died unmarried in 195[illegible].

It is an established principle of charity law that if at the date of a testator's death his gift is not shown to be 'impracticable', the next of kin or other interests are for ever excluded, even though later supervening events defeat the precise purpose which the testator contemplated. In the instant case, since the charitable gift was not an immediate one, the question was not merely whether at the testator's death it was immediately practicable, but also whether it could at that date be said that it would at any relevant date be practicable. The value of one-sixth of the residue at the testator's death was about £16,500 and the value of the reversionary interest bequeathed for the charitable purpose £2,400. £16,500 was at that time sufficient for effecting the charitable purpose but the amount available at the daughter's death, after allowing for death duties, was not enough.

The Court of Appeal held that at the date of the testator's death the testator's purpose was practicable since there was then no reason to anticipate the subsequent increase in duty and fall in the value of money. Accordingly the trust was a valid and effective charitable trust. *Obiter*, Lord Evershed, M.R., with whom Romer and Ormerod, L.JJ., agreed, said that the question of 'practicability' was to be answered on the footing that the gift would at some future date take effect: the fact that it was only remotely possible that it would do so was irrelevant.

Power Given by English Will Exercised by Scottish Will

THE testator in *Re McMorran, Mercantile Bank of India Ltd v. Perkins* ([1958], 1 All E.R. 186), who was resident and domiciled in England, bequeathed by his will a share of residue on trusts under which his son was entitled to appoint by deed or will one-half of the income of the share to his wife if she survived him. The son, who was resident and domiciled in Scotland, made a Scottish trust disposition and settlement giving all property 'over which I may have power of disposal at my death' in trust for his wife for life. He died shortly afterwards, survived by his wife. There was evidence that the son had no powers of appointment save those conferred on him by his father's will.

The Scottish Courts hold that a general reference in a will to powers which the testator has or may have is a sufficient reference to a special power, while the English Courts, generally speaking, take a contrary view. The question in the present case, therefore, was whether the son had effectively exercised the power given to him by his father's will.

Harman, J., rejected an argument that the words exercising the power must be read for all purposes into the English will and be given such effect as the law of England would give them. His lordship pointed out that the son's will contained a number of terms of art only to be understood by reference to Scottish law and expressed the view that the general principle must still apply that in questions of construction, as opposed to questions of validity and capacity, the English Court must find the true meaning of the appointor from the words he has used in the frame in which he has used them. The testator had made his will with an eye, so to speak, turned exclusively on the Scottish legal system, and the document could only be understood by reference to that system. It would, therefore, be wrong to pick out the words alleged to constitute the appointment and give them an effect which English law would give them, for the testator, making his will in Scottish form and using Scottish terms of art, must be supposed to have meant them to signify that which they would signify to a Scottish Court. If that be right, then the English Court must ascertain the effect which the Scottish Court would give to the relevant words.

On the evidence before his lordship the son's will would, according to Scottish principles, be held to be a valid exercise of the English power having regard to the fact that reference was made to property 'over which I may have power of disposal at my death'. His lordship accordingly held that the son had effectively exercised the power given to him by his father's will to appoint to his wife, except that in so far as that power extended only to one-half of the income, the exercise of it could be valid only to that extent.

Court's Jurisdiction over Charity Founded by Charter

THE applicant in *Re Whitworth Art Gallery Trusts, Manchester Whitworth Institute v. Victoria University of Manchester* ([1958], 1 All E.R. 176) asked for a scheme to be settled by the Court for the administration and management of the trusts of the charity relating to the freehold property known as the Whitworth Art Gallery and its contents and the investments of money held for its purposes and for the transfer of the premises to the respondent on the trusts and subject to the terms and conditions to be contained in such scheme. The grounds of the application were briefly that the existing trusts had become impracticable by reason of the insufficiency of the revenues available to carry out the original purposes of the charity and that the premises ought, to the limited necessary extent, to be applied *cy près*. The charity was incorporated by Royal Charter and the question arose whether, that being the case, the Court had jurisdiction to approve a scheme.

Vaisey, J., said that from the authorities the proposition which seemed to emerge was that a charitable corporation founded by Royal Charter could not be refounded or re-established by the Court, but could be regulated and controlled by the Court, especially on financial grounds, and in that case the Court was entitled to have regard to altered circumstances. His lordship proceeded to sanction a scheme.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

'Too Tall a "Top Hat"'

SIR, – I was most interested to read the article entitled 'Too Tall a "Top Hat"' appearing in your issue of June 28th. As I feel Mr Williams has taken too gloomy a view of the matter, I thought it might be helpful to your readers to have comment from a broker regularly handling this class of business.

The full facts of the case are not, of course, known to me, but I think it is fair to state that any competent broker in such circumstances would have warned the company that, whilst Inland Revenue would have no option but to approve the arrangements made, premiums would not be allowed as an expense.

The crux of the whole matter lies in the fact that the control of the company was vested at the time in the surviving directors. Whether or not the company was technically 'director-controlled' would not matter, if effective control of the company still rested in the hands of the family. In other words, the transfer of shares into the name of Barclays Bank Ltd, to be held upon trust for various members of the two families, did not remove effective control of the company from the people concerned.

Summarizing, I feel that Mr Williams's final paragraph is altogether too pessimistic as the huge majority of 'top hats' remain unaffected by this ruling, and it could certainly be argued anyway that the arrangements made in this case were worth while. Substantial benefits were secured by the premiums paid, and these premiums were not assessed on the individual lives assured. Tax relief admittedly was not secured on the premiums, but 'half a loaf is better than no bread'.

Yours faithfully,

London, EC3. B. M. WATERS.

Dividends on Employees' Shares

SIR, – Mr A. H. Dray's letter in your issue of June 21st brings out an aspect of dividend payments to employees, having the effect of extra remuneration by reason of the tax Inspector's agreeing that earned income relief should be given in respect thereof.

Notwithstanding the restrictive character of the shares, the payments made are strictly dividends and, therefore, I suggest it does not automatically follow that the gross dividend should be charged against profits for taxation purposes.

The terms and conditions of the shares held by the employees in question certainly seem to result in what they may feel is a working bonus rather than a trade investment return and this may have weighed with the Inspector in his decision following his assessment of the claim and circumstances of these persons – a matter quite distinct from company liability.

The payments are still appropriations of profits by way of dividend on shares, not to be put against profits in the way that wages or salaries are charged, as apparently the company could not accurately show them to be anything but the dividends they really are.

Yours faithfully,

East Molesey, Surrey, WILLIAM NEWTON, A.C.C.S.

The Late Sir Hugh Cocke, A.C.A.

SIR, – I have read with regret in the obituary note in your journal of June 7th, 1958, of the death on May 28th, at the age of 76, of Sir Hugh Cocke, A.C.A., former member of Messrs A. F. Ferguson & Co, Chartered Accountants, of Bombay. Sir Hugh Cocke served as a member of the Indian Legislative Assembly sitting in Delhi and Simla from 1928 to 1932.

I, on behalf of the accountancy profession in India, submitted an application duly signed by a large number of accountants from Bombay, Calcutta, Kanpur, Delhi and Lahore, to the Government of India for the central organization of the profession in January 1928, as there was no co-ordination in the administration of the profession in the provinces. Sir Hugh Cocke was nominated to the Indian Legislative Assembly in 1928 and the committee of the Assembly of which he was a member, recommended the amendment to Section 144 of the Indian Companies Act, 1913, for the establishment of the Indian Accountancy Board. The Act was actually amended in 1930 and the Board came into existence in 1932.

In my opinion this was a great service which Sir Hugh Cocke rendered to the accountancy profession and the Board, in fact, became a nucleus of the present Institute of Chartered Accountants of India which came into existence on August 15th, 1949, on account of my resolution at the meeting of the Accountancy Board in December 1939, which was accepted by the Government for examination.

Yours faithfully,

P. S. SODHBANS, F.C.A., F.A.C.C.A.

New Delhi, India.

Taxation on Credit

SIR, – With reference to your Finance and Commerce note headed 'Taxation on credit' (June 21st issue), it would be interesting to know where our fiscal authorities draw the line. At least some of the purchase tax is not demanded until the customers have had an opportunity of paying for the goods.

Yours faithfully,

Gerrards Cross, Bucks. A. H. JACKSON.

Ended or Ending

SIR, – For many years chartered accountants throughout the country seem to have adopted the word 'ended' in the heading of trading and profit and loss accounts in preference to the word 'ending'. If 'ended' is used it should be preceded by the word 'which' if it is to be correct English, but why was it necessary to make any change at all when 'ending' was perfectly satisfactory?

Yours faithfully,
C. H. LONGDON-GRIFFITHS.

London, SW1.

Taxation Cases

A full report of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Ostime *v.* Australian Mutual Provident Society

In the Court of Appeal – June 4th, 1958

(Before Lord Justice JENKINS, Lord Justice PARKER and Lord Justice PEARCE)

Income tax – Mutual life assurance – Overseas company – Assessment of proportion of income from life assurance fund – Whether assessment on profits – Double taxation relief – Income tax Act, 1952, Sections 426, 430 – Double Taxation Relief (Taxes on Income) (Australia) Order, 1947 (No. 806).

The respondent, a mutual life assurance society, had its head office in Australia, and carried on business in the United Kingdom through a branch office. For income tax purposes the society's life assurance business was treated as a separate business, and, under Section 430 of the Income Tax Act, 1952, the income from the investments of its life assurance fund was deemed to be profits chargeable under Case III of Schedule D, in the same proportion as the aggregate of premiums received in the year in question from policy-holders resident in the United Kingdom bore to the total of premiums received by the society.

The society claimed to be exempt from income tax in respect of its investment income pursuant to the Double Taxation Relief (Taxes on Income) (Australia) Order, 1947 (No. 806). The appellant contended before the Special Commissioners that Article III (2) of the Order did not exempt the investment income from United Kingdom tax, because the society was engaged in a trade or business in the United Kingdom through a permanent establishment situated therein. The Special Commissioners decided in favour of the society. In the High Court it was contended on behalf of the appellant that the phrase 'industrial or commercial profits' for the purposes of the Order meant profits arising from actual activities yielding profit, and that as the society was carrying on a mutual insurance business, and therefore had no profit for income tax purposes, the Order did not apply. It was also contended that the Order was concerned only with profits taxable under Case I of Schedule D, and did not apply to the subject-matter of tax under Case III of that schedule.

Held (affirming the judgment of Mr Justice Upjohn), that the Society's taxable surpluses were profits for the purposes of the Order, and that its liability to taxation in the United Kingdom must be determined by reference to the Order and not Section 430 of the Income Tax Act, 1952.

Parway Estates Ltd *v.* C.I.R.

In the Court of Appeal – June 5th, 1958

(Before Lord Justice JENKINS, Lord Justice PARKER and Lord Justice PEARCE)

Stamp duty – Relief – Associated companies – Subsidiary with income tax losses – Sale of shares in subsidiary – For percentage of losses subsidiary's assets purchased by parent company – Shares transferred next day – Whether parent company then beneficial owner of shares – Finance Act, 1930, Section 42.

The appellant company held all the shares in another company which had considerable income tax losses. On January 12th, 1956, the appellant company contracted to sell its shares in the subsidiary, to transfer a debt owing to it by the subsidiary, to purchase all the assets of the subsidiary in consideration of a reduction of the latter's indebtedness, and to discharge its liabilities. The consideration for the sale of the shares and the indebtedness was 'a sum equivalent to 12½ per cent of the net taxation loss of the company as at December 31st, 1955, . . .'. The completion date was February 29th, 1956 (when the shares in the subsidiary were transferred to the purchaser); on the previous day the documents transferring the subsidiary's assets to the appellant company were executed.

It was contended on behalf of the appellant that it was exempt from stamp duty under Section 42 of the Finance Act, 1930, in that the transfer of the subsidiary's assets took place at a time when the appellant company was the beneficial owner of not less than 90 per cent of the issued share capital of the subsidiary.

Held (affirming the judgment of Mr Justice Upjohn), that the appellant company was not then the beneficial owner, as it had, by an unconditional contract, contracted to sell the shares, and the equitable interest in the shares had thereupon vested in the purchaser.

For Students

TAXATION

Profits Tax Abatement

Abatement is the reduction allowed in computing the profits where total profits do not exceed £12,000 in any accounting period of twelve months. It is calculated by dividing the difference between the sum of £12,000 and the trading profits (as adjusted) by five. Thus:

Trading profits (as adjusted) £7,000.
Abatement = 1/5th (£12,000 − £7,000) = £1,000.
Chargeable profits are therefore £6,000.

Where the company is in receipt of franked investment income, the computation of the abatement is varied, and the formula is as follows:

$$1/5\text{th}\ (£12{,}000-(\text{trading profits}+\text{F.I.I.}))\times\frac{(\text{Trading profits})}{(\text{Trading profits}+\text{F.I.I.})}$$

It is important to remember that whilst the higher figure of profits (i.e. including franked investment income) is used in applying the fraction of one-fifth, yet the resulting figure must be reduced by the fraction shown.

Thus:

Trading profits £3,000 + F.I.I. £1,000.

$$\text{Abatement} = 1/5\text{th}\ (£12{,}000-£4{,}000)\times\frac{£3{,}000}{£4{,}000}$$

$$= £1{,}200$$

Chargeable profits are therefore £1,800

Franked investment income is not subject to profits tax in the hands of the recipient, but it must always be taken into account in computing abatement and net relevant distributions.[1]

Regard must also be paid to the fact that the exemption limit of £2,000 includes any franked investment income, and that profits tax may therefore be levied on an amount of trading profits less than £2,000.

Thus:

Trading profits £1,000 + franked investment ncome £3,000.

$$\text{Abatement} = 1/5\text{th}\ (£12{,}000-£4{,}000)\times\frac{£1{,}000}{£4{,}000}$$

$$= £400.$$

Chargeable profits are therefore £600.

Where the accounting period is less than twelve months, the amounts of £12,000 and £2,000 are reduced proportionately.

ACCOUNTANCY

Collateral Security

Situations frequently arise in commercial transactions where the lender of funds receives two securities against his loan. One will be his primary security, e.g. a mortgage on a property, the second will be a collateral security which is additional to the main security and will normally be the subject of foreclosure etc. by the lender of money, only if the primary security proves inadequate.

A common example of a collateral security is where a building society advances a large mortgage on commercial property, the primary security being the mortgage on the property, but the building society requires the borrower to deposit certain funds in a deposit or share account to supplement the main security. The deposit or shares will rank for interest and be dealt with as an ordinary or share account, but will not be repaid until the borrowing against the primary security has been reduced to a predetermined figure on which the building society will be prepared to consider the primary security sufficient.

Another example is also commonly encountered with banks, where a bank overdraft may be granted against the promise of the customer to repay, coupled with a charge on certain assets. If the bank considers this security to be inadequate, it may require the customer to deposit further securities (often belonging to a third party, with that person's consent) to cover the overdraft. Not infrequently where a bank has, as primary security, a charge on certain assets of a company, it may require as collateral security the issue of debentures for the whole or a part of the overdraft.

Where the security afforded the borrower as collateral is an existing asset belonging to the client, it is normally sufficient for accounting purposes merely to show the bank overdraft as being 'secured'. The nature of the security does not have to be specified on the client's balance sheet, and the assets which are charged will be shown in their normal position in the balance sheet.

Where the collateral security is the property of a third party, a note should be placed on the balance sheet to this effect, e.g. 'The bank overdraft is secured by a deposit of securities of market value £*x* belonging to a director'.

Where debentures are created for the purpose of collateral security, these debentures will not be shown as long-term liabilities in the balance sheet, since clearly the bank does not regard itself as having received the debentures against subscription for them. The issue of the debentures will be shown merely by way of note, e.g. 'As collateral security for the bank overdraft, debentures have been issued in favour of — Bank Ltd for £20,000'.

ENGLISH LAW

Civil Remedies

When a contract has been broken and the aggrieved party has recourse to litigation, it is well to consider at the outset what remedies are available to him if he can satisfy the Court as to the facts.

Litigation frequently creates ill-feeling and many plaintiffs would cheerfully see their opponents incarcerated for long periods as a measure of condemnation for their activities. Luckily for defendants, the only instances in which a judge in a Civil Court may send anyone to prison is for contempt of court, and the successful plaintiff in a civil case must content himself with one of four remedies:

(*a*) damages;
(*b*) a *quantum meruit* award;
(*c*) specific performance;
(*d*) an injunction.

---

[1] 'Net relevant distributions' will be the subject of a later note.

(a) Damages

The measure of damages will be settled by the Court as being the loss which flows from the breach of contract itself. Damages will not be awarded in respect of any loss which is too remote from the breach.

A leading case on this matter is *Hadley v. Baxendale* (1854) where a crankshaft broke in the plaintiff's mill and the carriers who were to take the shaft to the manufacturer for repair were unduly tardy in making delivery. As the crankshaft was an integral part of the mill's machinery, the mill was at a standstill until the component had been repaired and returned: the tardiness of the defendants therefore resulted in the mill's being idle for an unduly long time. It was held in this case that since the urgency of delivery and the consequences attendant upon tardiness were not made known to the defendants, there could be no claim for damages in respect of the loss of production so resulting.

(b) Quantum meruit

A claim for *quantum meruit* (i.e. for the amount merited) is a claim for services.

If a painter is commissioned to undertake the painting of a portrait for 100 guineas, but after the first sitting the client changes his mind, the painter cannot sue for the 100 guineas, since he has not completed his services. However, as a person has at law a duty to mitigate damages to himself, the painter could not, knowing that the contract was broken, proceed to spend several weeks more on the work so that he could then claim for the 100 guineas. The painter is entitled, however, to found a claim at law for *quantum meruit*, and the Court will award the painter damages for the amount merited by his work to date.

The principle here is that a plaintiff cannot increase damages by refusing to take note of a breach of contract and relentlessly undertake his own obligation under the contract so that the claim for damages may be augmented.

(c) Specific performance

The award of specific performance, where the Court will order a defendant to complete the contract, is rarely made in the English Courts, and it will never be granted where damages will provide an adequate remedy.

Specific performance will not be granted where there is no mutual exchange of benefits: a gratuitous promise made under seal, whilst valid as a contract, will nevertheless not be enforceable by an action for specific performance if it involves anything more than the payment of money.

Furthermore, there can be no award of specific performance by a Court for personal services – e.g. a promise to marry – nor will its award be made where the enforcement of it is impracticable or where it is not possible for the Court to supervise the performance.

(d) Injunction

An injunction is an order of the Court, and may be either 'mandatory', when it commands that something be done, or 'prohibitory', when it forbids some activity. Both types of injunction are encountered in the Civil Court, particularly in connection with the law of torts, but in the case of claims founded on a breach of contract, injunctions are generally of a prohibitory nature, and a person who has undertaken by contract not to carry out a specific thing may be forced by an injunction to refrain from doing it.

A prohibitory injunction, in connection with personal services, will be granted only where there is a clear covenant by the defendant not to undertake such activities. Thus, in the case of an artiste who undertakes not to appear on another stage during the period of his contract with a certain theatre, the plaintiff may secure an injunction forbidding the artiste to undertake other activities in this period.

It will be appreciated that an award of specific performance is a form of mandatory injunction, but it is not possible to secure an injunction of a mandatory nature to enforce a contract for personal services, since this in effect would be obtaining an award of specific performance by indirect means.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

The following is a list of Associates elected to Fellowship and applicants admitted to membership at the Council Meeting held on July 2nd, 1958, who completed their Fellowship or membership before July 15th, 1958.

Associates elected Fellows

Bentham, Eric; A.C.A., 1958; (S. 1953); (Walter Bentham, Son & Co), Broadway House, 9 Bank Street, Bradford, 1.

Charles, Alfred William; A.C.A., 1958; (S. 1950); (Levett, Charles & Co), Barclays Bank Chambers, Lee Green, London, SE12, and 2A Nelson Road, Greenwich, London, SE10.

Cornelius, Frank Hubert; A.C.A., 1958; (S. 1951, f. 1956); (Cornelius, Barton & Co), 23 Coleman Street, London, EC2.

Curtis, Robert Cyril; A.C.A., 1952; (*Manners, Elman, Duncan & Co), and (Manners & Curtis), 7/8 Little Turnstile, Holborn, London, WC1.

Davies, William Howard; A.C.A., 1958; (S. 1952); (Dyke & Ruscoe), The Old Mansion, St Mary's Street, Shrewsbury.

Goodchild, Gordon Edwin; A.C.A., 1952; (Scrutton & Goodchild), 34 Museum Street, Ipswich.

Keane, Bernard; A.C.A., 1953; (Keane & Co), 42 Devonshire Street, London, W1.

Pattison, James Ernest; A.C.A., 1958; (S. 1938); (Pattison, Jardine & Co), 8 West Street, Gateshead, 8.

Potterton, Owen; A.C.A., 1958; (S. 1950); (A. D. Driver & Co), Devonshire House, 9 Devonshire Street, Keighley.

Simpson, Herbert William; A.C.A., 1958; (S. 1937); (Smith & Hayward), 1 Piccadilly, Bradford, 1.

Tanner, John Darley; A.C.A., 1939; (†Stuart Smith & Allan), 26 Phayre Street, Rangoon, Burma.

Watson, Joseph Christopher; A.C.A., 1958; (S. 1939); Westminster Bank Chambers, Station Road, Harrow, Middlesex.

Wilson, John Barrington; A.C.A., 1952; (Geo. Little, Sebire & Co), Alban House, 13 St Peter's Street, St Albans, Herts, and at Edmonton and London.

Admitted to Membership

Allen, Trevor James; A.C.A., 1958; with Keens, Shay, Keens & Co, Bilbao House, New Broad Street, London, EC2.

Bates, John Michael; A.C.A., 1958; with Eric Phillips & Co, 31 King's Road, Sloane Square, London, SW3.
§Crosbie, Terence Marley; A.S.A.A., 1958; with W. A. Deevy & Co, 28 and 29 Barronstrand Street, Waterford, Ireland.
§Jones, John Llywelyn, B.A.; A.S.A.A., 1958; 40 Selkirk Road, Chester.
§Nattrass, Jill (Mrs); A.S.A.A., 1958; with Strachan & Dowling, P.O. Box 2826, Durban.
Stringfellow, Kenneth Copeland; A.C.A., 1958; with W. G. Hawson, Wing & Co, Hartshead Chambers, Sheffield, 1.
Wagstaff, Allan; A.C.A., 1958; with Cooke & Staples Parker, Maun Chambers, 31B Church Street, Mansfield, Notts.

Former Member re-admitted to Membership

Nicholls, Ernest James; (Ernest J. Nicholls & Co), St Stephen's Chambers, Telegraph Street, London, EC2; and at Purley; also at Croydon (*Ernest J. Nicholls & Co).

Autumn Meeting, 1958

CHANGES IN THE PROPOSED PROGRAMME

The organizers of the Institute's autumn meeting announce that it has been necessary to make some alterations to the social part of the proposed programme of the meeting.

It has regretfully been decided to abandon the banquet on Friday, October 3rd, since the majority of participating members chose the alternative way of spending that evening, at the performance of *My Fair Lady* at the Drury Lane Theatre.

As the opportunity to meet socially at the banquet will no longer exist, a cocktail party with light refreshments will now be held at the Royal Festival Hall from noon to 1.30 p.m. on Saturday, October 4th, after the business session. So that ladies may participate, the timing of their excursions will be altered to enable them to return to the hall by 11.45 a.m.

A limited number of extra tickets for *My Fair Lady* are available, though not sufficient for all those who opted for the banquet. Participating members who expressed a preference for the banquet are being asked to indicate whether they wish to take part in a ballot for these tickets.

A refund of two guineas for each person will be made to those who are unsuccessful in the ballot or who do not wish to go to the performance.

GUEST TICKETS

In response to requests, it has been found possible to offer a limited number of additional guest tickets for the reception on Thursday, October 2nd. A single guest ticket will cost £3 3*s* 0*d* and a double £5 5*s* 0*d*, and will be available only to members who take double tickets for the whole meeting.

PERSONAL

Messrs Major & Co, Chartered Accountants, of 89 Cornwall Street, Birmingham, 3, announce that they have admitted into partnership Mr John F. Jee, A.C.A., as from April 6th, 1958. The name of the firm will remain unchanged.

Mr R. Crosfield Harris, M.A., F.C.A., of Croydon, practising as A. H. Knight & Co, Chartered Accountants, announces that he has entered into an arrangement with Messrs Morrish, Walters & Co, Chartered Accountants, of London, whereby with effect from July 1st, 1958, two of the partners of that firm, Mr Richard B. Morrish, M.A., F.C.A., and Mr Charles W. McCormack, A.C.A., have joined him in partnership. The practice is being carried on from 5 Lansdowne Road, Croydon, in the name of A. H. Knight, Morrish & Co.

Messrs Ford, Rhodes, Thornton & Co, Chartered Accountants, of Times of Ceylon Building, Colombo 1, Ceylon, announce that on May 1st, 1958, Mr S. Velupillai, B.SC.(CEY.), A.C.A., was taken into the partnership. The style of the firm remains unchanged.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee, Mr W. S. Carrington, F.C.A., the President of the Association, and nine members, were present.

New Applications

Four new applications for assistance were considered. In two cases a grant was made and in another case the committee confirmed the grant already authorized by the President. Consideration of the fourth application was deferred.

Special Fund

One new case was considered and the President's action in authorizing a donation was confirmed.

Applications for further Assistance

Eighteen applications for further assistance were considered. In twelve cases the grant was renewed; in three cases the grant was increased and in three cases consideration was deferred.

Matters Reported

The deaths of two beneficiaries were reported and in one case a grant to the widow was made. In two cases it was reported that owing to improved circumstances beneficiaries were no longer in need of assistance. The receipt of a legacy of £100 was also reported.

BULLS AND BEARS ON FILM

The means by which the London Stock Exchange has been making its activities more widely known and appreciated have often been referred to in our columns. A further step forward in this campaign is marked by the production of a film, the shooting of which is to take place during the last two weeks in July and the first week in August.

The film will run for twenty-five minutes, will be in colour and will describe the history, organization and functions of the Exchange. Some of the scenes will be shot on the floor of the House during business hours and others from the public gallery.

'S' means year of admission to membership of the Society and 'f' means year of election to fellowship of the Society.
§ means 'incorporated accountant member'.
¶ means 'in practice'.
† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.
* against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.
Firms not marked † or * are composed wholly of members of the Institute.

NEW AUDITOR-GENERAL

Sir Edmund Gerald Compton, K.B.E., C.B., Third Secretary at the Treasury, has been appointed Comptroller and Auditor-General in succession to the late Sir Frank Tribe. Sir Edmund will take up his new appointment on October 1st.

Educated at Rugby and New College, Oxford, Sir Edmund took a first in Greats and entered the Colonial Office in 1930. A year later he transferred to the Treasury, and during the Second World War he was seconded to the Ministry of Aircraft Production as private secretary to Lord Beaverbrook. He has held his present post since 1949.

THE SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

Mr Bertie Rowe, F.C.A., a partner in the firm of R. H. Jeffs & Rowe, Chartered Accountants, of Pontypridd and Cardiff, was elected President of The South Wales and Monmouthshire Society of Chartered Accountants at the Society's annual meeting held on Thursday of last week.

Before entering the profession, Mr Rowe served in the army in the Balkans during the First World War. He was awarded the M.S.M., the *Medaille d'honneur, avec glaives*, and was mentioned in dispatches. He commenced his period of articles in 1920 and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1924; he entered into partnership with Mr R. H. Jeffs in 1936.

As a member of the Army Officers Emergency Reserve, Mr Rowe was called up at the outbreak of the Second World War and was posted as a paymaster; in 1942 he served in North Africa, a year after he had been elected to Fellowship of the Institute.

After the war, Mr Rowe lectured for a few years at summer schools at the Universities of Oxford and Leicester. He is chairman of a brewery company and was appointed a member of a catering wages board by the Minister of Labour and National Service.

Other officers of the Society were elected as follows:

Vice-President: Mr C. R. Daniel, F.C.A.
Hon. Secretary: Mr H. W. Vaughan, F.C.A., 12 Christina Street, Swansea.
Hon. Treasurer: Mr H. E. Halliday, F.C.A.
Hon. Librarians: Mr T. W. Pickard, F.C.A., and Mr D. Emrys Davies, F.C.A.

The Society's Year

The Society's annual report presented at the annual meeting records a total membership at December 31st, 1957, of 247, of whom 120 were in practice and 127 not in practice; the total membership at the end of the previous year was 249. The report states that no incorporated accountant members were admitted before December 31st, 1957, but up to the time of printing the report, 151 applications for membership had been received.

Owing to poor support, no lecture programme was arranged for the Cardiff and Newport area, but well-attended lectures – arranged in conjunction with other professional bodies – were held in Swansea.

IN PARLIAMENT

INCOME TAX: SCHEDULE A

Sir F. MARKHAM asked the Chancellor of the Exchequer the estimated yield of tax under Schedule A for the present year, and the cost of assessing and collecting it.

Mr SIMON: About £100 million. I regret that the cost of assessing and collecting this tax cannot be segregated from the general cost of administering the Revenue, which amounted to 3·22*d* in the £ of the revenue collected in 1956–57, the latest year for which the figures are available.

Hansard, July 10th, 1958. Written Answers. Col. 48.

£ STERLING: VALUE

Mr L. THOMAS asked the Chancellor of the Exchequer the purchasing power of the £ sterling, taking 1925 as 20*s*, in 1938, 1945, 1955 and today.

Mr MAUDLING: Taking the internal purchasing value of the £ as 20*s* in 1925 the comparable figures for subsequent dates are 1938, 22*s* 7*d*; 1945, 13*s* 9*d*; 1955, 8*s* 10*d*; and May 1958, 8*s*. For the period before 1938 these estimates are based on the Cost of Living Index; from 1938 onwards they are based on the Consumer Price Index brought up to date by the Index of Retail Prices.

Hansard, July 10th, 1958. Written Answers. Col. 48.

CHARTERED ACCOUNTANTS' INTERNATIONAL CHESS CLUB

A chartered accountant, resident in California, is endeavouring to get at least one hundred chess-playing chartered accountants to form a club in which members play in various chess tournaments by correspondence. For instance, the following correspondence tournaments (with trophies and book prizes for winners) are planned:

Seven-Man Tournaments. Players are grouped in sevens so that each player plays Black against three, and White against three other players. Results of the games would be mailed to the club headquarters in California. Winners of the seven-man tournaments can then play-off for a world chess championship for chartered accountants. In order to make this even more interesting, players might, if they so wished, play three games at a time against their opponents so that there is more 'going on', so to speak, on each postcard.

Problem Ladder. Each month, the members would receive four chess problems from H.Q. They would then have a month to mail in their solutions. According to scores, entrants would appear on a chess ladder and, from time to time, those at the top would receive prizes and then go back down to the bottom.

Research Play. Chess is always changing and the world's champion of tomorrow may possibly open with the 'hippopotamus opening' as a rule rather than an exception. Many chess players devise their own particular defences against certain openings but often do not have anyone to play against strong enough properly to test them. The club's H.Q. invites members to play five games at a time against H.Q. in their own particular opening or defence. Once a year, prizes will be given for the most ingenious new tactics in the game.

The club's originator is Mr John E. Almond, A.C.A., of Orinda, California. He edits *Chess in Action*, a chess journal circulating widely in California, and also prepares chess columns for local newspapers. He has the assistance of a part-time staff of very strong local players.

Any chartered accountant interested is invited to write to Mr Almond, at 14 Bates Boulevard, Orinda, California, for complete details.

ANNOTATED TAX CASES

Part 1 of Volume XXXVII of the *Annotated Tax Cases*, edited by Mr Roy Borneman, Q.C., is published today and contains reports, with notes on the judgments, of the following cases: *McLeish v. C.I.R.* (C.S.); *Forbes' Trustees v. C.I.R.* (C.S.); *Keir & Cawder Ltd v. C.I.R.* (C.S.); *R. v. Special Commissioners of Income Tax, Ex parte Linsleys (Established 1894) Ltd* (H.L.); *Wigram Family Settled Estates Ltd v. C.I.R.* (H.L.); *Escoigne Properties Ltd v. C.I.R.* (H.L.); *Dalton (Smith's Administratrix) v. C.I.R.* (Ch.D.); *The Public Trustee (Lord Northcliffe's Trustee) v. C.I.R.* (Ch.D.); *Potter v. C.I.R.* (C.S.); *Carlish v. C.I.R.* (C.A.); *Harrison's Trustees (Midland Bank Executor and Trustee Company Ltd) v. C.I.R.* (Ch.D.); *Venn v. Franks* (Ch.D.); *Angel v. Hollingworth & Co, C.I.R. v. Cook* (Ch.D.).

THE LONG DEGREE

A degree course for which he began to study in 1905 was finally completed on July 4th, 1958, by Mr Oscar Fawcett, F.C.A., when he received his degree of B.A.(Com.) at Manchester University.

Mr Fawcett, now retired and living at Bognor Regis, began his study for the commercial degree by attending evening classes at the University of Manchester during his period of articles with the firm of Cooper & Cooper, Chartered Accountants, of Manchester. His time-table of work for the degree examinations was dislocated, however, through absence abroad for long periods on behalf of his firm and although he managed to fit in a year at the University in the day-time during 1909–10, he found that he had not been able to devote sufficient time to justify his sitting for one of the examination subjects – German. He was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1910, the year in which he left Manchester for London, still requiring to pass in German to qualify for his degree.

Although he had every intention of returning to sit for the German examination, circumstances prevented his doing so until, in October 1957, Mr Fawcett wrote to the University with the object of taking the examination in June 1958. He received the reply that the regulations were changed but that the matter would be considered at the next meeting of the board of the faculty concerned.

In December last year, Mr Fawcett received a further letter granting him permission to sit for the German examination in June 1958. He immediately obtained a coach in German and attended classes at Chichester – resuming his study of the language that he had not touched in any way for forty-seven years, with the resulting success.

LOCAL LOANS FUND: INTEREST RATE

The Treasury has announced that loans advanced to local authorities from the Local Loans Fund on and after July 12th, 1958, until further notice shall carry the following rates of interest:

	per cent	
Loans for not more than five years ..	5¾	(6½)
Loans for more than five years, but not more than fifteen years	6¼	(6½)
Loans for more than fifteen years ..	6¼	(6¼)

The present rates of interest (shown in brackets) have been in force since September 28th, 1957. The new rates apply only to future loans; the rates of interest on existing loans are unaffected.

It is stated that the changes are designed to keep the lending rates of the Public Works Loan Board in line with those prevailing in the market for loans to local authorities.

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

Results of Examinations held in May 1958

Places and Prizes will be awarded
on the combined results of the May 1958 and November 1958 Examinations.

FINAL EXAMINATION

PART A

(in alphabetical order)

*Bale, D., Croydon C.B.
Battye, S. R., Yorkshire (West Riding) C.C.
*Bellinger, K. E., Taunton B.
Besford, R. B., Poplar M.B.
Bridge, K. J., West Ham C.B.
Bulled, R. E. W., Isle of Wight C.C.
*Bunn, M. J., Barry B.
Burton, D. F. G., Chelsea M.B.
Burton, F. R., Nottinghamshire C.C.
*Cant, J., Chislehurst & Sidcup U.D.C.
Cooper, B., Derbyshire C.C.
Dack, G. E., Bury St Edmunds C.B.
Dootson, J. J., Manchester C.B.
*Fairweather, D. A., Gravesend B.
Firth, A., Rochdale C.B.
Flaxman, B. J., Norfolk C.C.
*Frost, E. H., Southgate B.

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*Gouch, L. W., East Retford B.
Griffiths, C. A., Newport (Mon.) C.B.
*Griffiths, D. F., Northamptonshire C.C.

Helmore, R. H., South Western Electricity Board (Devon Sub-Area).
*Hetherington, N., Yorkshire (North Riding) C.C.
Hildick, B. D., Westminster M.B.
Hillman, R. L., Bristol C.B.
Hornsby, V. S., Ennerdale R.D.C.
Humphreys, P. W. T., New Forest R.D.C.

Ibbotson, F. P. R., Bromley B.
Irwin, G. W., Carlisle C.B.

Jackman, R. F., Fulham M.B.
Jackson, C., Manchester C.B.
Jasper, C. C., London C.C.

Kay, J. H., Manchester C.B.
Kenny, F. A., Fulham M.B.

Lawrence, D. P., Street U.D.C.
Lawrie, P. R., Leeds C.B.
Little, R. G., Manchester C.B.
Livingston, D., Glasgow
*Lumb, P., Knaresborough U.D.C.

Mackintosh, D. I., Mansfield B.
Mahoney, D., Newport (Mon.) C.B.
McManus, J. F., Solihull B.
McWilliam, A., Coventry C.B.
Milburn, S. F., Bristol C.B.
*Morgan, D. G., Staffordshire C.C.
*Morrison, R. F., Berkshire C.C.
Mowat, J. G., Eastbourne C.B.

Norton, D. H., Birmingham C.B.

Parker, G. J., Bridgwater B.
Potter, H. A., Hampshire C.C.
Probart, G. T. C., Swindon B.

Rhoades, E. A., Twickenham B.
Roberts, G. G., United Cardiff Hospitals.
Robinson, F. C., Cardiff C.B.
Rozzell, N. R., Staffordshire C.C.
*Ruck, R. H., Cheltenham B.
Russell, R. S., Glasgow.

Scales, G., Scarborough B.
Searle, S. R., Southend-on-Sea C.B.
Shaw, R., Sutton-in-Ashfield U.D.C.
Smith, J., Durham C.C.
Smith, M. J., West Bromwich C.B.
Statham, J., Bury C.B.
*Stewart, A. R., Coventry C.B.
Stirling, W. N., Lanarkshire C.C.
Symes, H. F., Romsey & Stockbridge R.D.C.

*Tate, G. A., Wembley B.
Thomas, I., Worcestershire C.C.
Tomsett, J. N., Worthing B.
*Tosey, D., Staffordshire C.C.
Turner, W. E., North Cotswold R.D.C.

*Walker, D. S., Chatham B.
Watson, K. H., Leicestershire C.C.
*Webster, F., Yorkshire Electricity Board.
Wilkinson, T. J., East Retford B.
Wilson, G. G., Johnstone.
Wren, K., Banbury B.
Wright, R. C., Hyde B.

Yarr, D. T., Glamorgan C.C.

* Passed Part B (or Part 1) at a previous examination.

PART B

*Allonby, L. A., Bury C.B.
*Anderson, W. J., Guildford B.
*Anderton, F., Stamford B.

*Beer, J. E., Wolverhampton C.B.
*Bomont, R. G., Lancashire C.C.
*Bradbury, G. H., Wellingborough U.D.C.
Brummitt, C., Huddersfield, C.B.

*Campbell, D. A., Eastbourne C.B.
Candler, R. W., Clacton U.D.C.
*Crabb, E. G., Coventry C.B.
Cutting, K. M., Twickenham B.

*Davis, R. H., Hemel Hempstead B.
*Dodsley, W. A., Derby C.B.
Duffy, C. J., Worsley U.D.C.

*Eaton, D. S., Midlothian C.C.
*English, W. J., Glasgow.

*Greening, R. C., Coventry C.B.

Hale, R., Lancashire C.C.
*Hall, R. S., Bath C.B.
Harrison, R. H., Birmingham C.B.
Harvey, A. J., Hayes & Harlington U.D.C.
*Hawes, L. A., Fleet U.D.C.
*Hedgecock, A. R., Essex C.C.
*Heycock, L. D., Glamorgan C.C.
*Higham, R., Rotherham C.B.
Hughes, R. W., Wiltshire C.C.

*Jackson, G. E., Friern Barnet U.D.C.
*Jones, F., Walsall C.B.

*Knowles, F. I., Salisbury B.

*Love, K., Midlothian C.C.
*Lovell, K. E. W., Middlesex C.C.

McHardy, J. D., Wolverhampton C.B.
*Moulding, T. H. G., Lancashire C.C.
*Mountain, R., Bridgwater B.

*Naybour, D., Liverpool C.B.
*Nicholson, G. D., Beckenham B.

*Paternoster, L. F., Walthamstow B.
*Perryman, G. A., Romsey B.
*Phillips, D., Swansea C.B.
Preen, A. F., Battersea M.B.
*Preston, P. A., Hertfordshire C.C.

*Rudge, W. R., Warrington C.B.

*Salt, S., Luton B.
*Smart, S., Nottingham C.B.
*Smith, F. J., Southend-on-Sea C.B.
*Smith, (Miss) M. P., Scottish Gas Board (Dundee Group).
*Strong, J. B., Walton & Weybridge U.D.C.

*Tasker, J. P., Bedford B.
*Thompson, J., Bolton C.B.
Turner, K., Wigan C. B.
*Twelves, A., Wigan C.B.

*Veal, W. B., St Albans R.D.C.

*Ward, J. F., Stoke Newington M.B.
*Wardman, D., Barrow-in-Furness C.B.
*Webborn, J. R., Swansea C.B.
*Whitehouse, R., Nuneaton B.
*Wiggins, P. J., Maidenhead B.
*Wilch, D. J., Weston-super-Mare B.
*Williams, A., Nairobi.
Wirth, R., Hertfordshire C.C.
*Woodfield, W. T., Edmonton B.

* Passed Part A at a previous examination.

Summary of Results

	Intermediate		*Final Part A*		*Final Part B*		*Total*	
	No.	*per cent*	*No.*	*per cent*	*No.*	*per cent*	*No.*	*per cent*
Passed	99	33	79	31	61	35	239	33
Failed	197	67	174	69	112	65	483	67
	296		253		173		722	

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Finance Bill Changes

THIS year's Budget proposals have gone through some remarkable changes since they were first announced. They included retrospective legislation against dividend stripping but the retrospective part was dropped even before the draft Finance Bill saw the light of day. Then at the committee stage, two new clauses were added about excise duties, the profits tax provisions were amended, the estate duty provisions relating to purchases of reversions were tightened up and the quick succession relief was extended, while there were second thoughts about the stamp duty provisions.

Two weeks after the nominal close of the committee stage, the Bill was again amended, this time on re-committal, when further elaborate provisions about dividend stripping were inserted. At the same time the clause directed against partially revocable settlements was substantially amended and a new clause was inserted to amend the legislation directed against settlements on infant children, legislation which had stood unchanged for twenty-two years. Still another new clause is directed against discretionary settlements where the settlor or his wife is an object of the discretion. Apparently the mere existence of the discretion, notwithstanding that it is in fact exercised in favour of other objects, is to be fatal to the efficacy of the settlement.

Two days were originally allotted to the report stage but the crisis in the Middle East took up one of the days and all the proceedings, both on report and on recommittal were telescoped into one day. On the report stage the Government introduced a new clause which extended to false statements in accounts the same penalties which have hitherto applied only to statutory returns.

The initial allowance increases were doubled and relaxations were introduced in the profits tax transitional provisions, to meet the case where an exceptionally high dividend has been paid in the standard period. The estate duty provisions concerning purchases of reversions were relaxed in relation to charities and some minor amendments were made to purchase tax. A new clause gives relief from estate duty where a house is demolished for slum clearance shortly after the death. The Government also promised to consider extending next year the provisions for income tax relief in respect of professional subscriptions. The Bill is now passing through the House of Lords.

Finance Bill–XIII

ESTATE DUTY

Quick Successions

THE clause giving quick succession relief is now renumbered clause 30. Paragraph 3 of the Eighth Schedule adapts the relief to cases where settled property is chargeable on the second death. Sub-paragraph (2) ensures that mere changes in investments will not prevent the settled property from being regarded as the same for the purposes of clause 30. It also enacts that the trustees are to be treated as the persons entitled to the property.

Paragraph 3 (3) as it now stands was inserted on July 2nd in place of two sub-paragraphs found to be defective. Its object is to withhold relief from settled property passing on the second death where that passing occurs because the second deceased bought an interest in the settlement. This restriction is in line with clause 30 (1) (*b*) which likewise excludes relief where the second deceased bought the property itself.

Determination of Life Interest

Sub-paragraphs (4) and (5) of paragraph 3 deal with the case where:

(*a*) duty is charged on the second death under Section 43 of the Finance Act, 1940 (determination of a life interest); and

(*b*) the settlement came to an end before the second death, either wholly or as to part of the settled property.

Sub-paragraph (4) firstly directs that the words in clause 30 (1) (*b*) 'immediately before the later death' should be read as meaning 'immediately before the coming to an end of the settlement'. The sub-paragraph secondly restricts the scope of the relief to cases where the first death was either:

(*a*) the death of the settlor; or

(*b*) the death of a person who (i) received property distributed under the settlement when it ended; and (ii) did not acquire his title by or through a purchase made at any time, whether by him or anyone else.

Paragraph 3 (5) provides for cases where the property deemed to pass on the second death is not demonstrably the same as the property received by the first deceased on the determination of the settlement itself. It gives an opportunity for the claimant to trace the property back through intermediate mutations in the same way as is provided in paragraph 2 of the Eighth Schedule, which paragraph was examined in last week's article in this series. Paragraph 3 (5) is expressed to apply only where quick succession relief is in fact allowed.

Paragraph 3 (6) provides for the ascertainment of the net value of the relevant property after the earlier death (see clause 30 (2)) where settled property is chargeable on the later death either under Section 43 or because of the actual determination of a life interest on the death. It applies in two cases, namely, where quick succession relief is allowed either:

(*a*) by reference to an earlier death on which there passed an interest expectant on or subject to that life interest; or

(*b*) by reference to the earlier death of a person receiving property distributed under the settlement, the case being one to which paragraph 3 (4) applies.

Sub-paragraph (6) directs that the net value after the earlier death is to be taken at the value on which duty was paid. However, where the property falls within sub-paragraph (5), the value to be taken is the sum of money referred to in that sub-paragraph.

Paragraph 4: *Inter Vivos* Gifts

Paragraph 4 adapts quick succession relief in cases where on the second death property attracts duty under the *inter vivos* gift provisions. *Ex hypothesi* the second deceased (the donor) will have parted with the property before his death. Paragraph 4 (2) directs that clause 30 (1) (*b*) shall apply as if the reference to a time immediately before the death was a reference to the time the gift was made. It prohibits relief where the first deceased acquired his title to the property by or under a purchase made after the gift (whether by the first deceased or by some other person).

Examples

A. dies leaving property which attracts duty. It is then bought by B. for full value who gives it to C. and then dies within five years of A. No relief is due on B.'s death because at the time of the gift he had acquired his title for value.

D. gives property to E. who sells it to F. Within one year after the gift F. dies and the property attracts duty. Two years later D. dies and again the property attracts duty as on an *inter vivos* gift. No relief is due on D.'s death.

There are elaborate provisions in Section 38 of the Finance Act, 1957, for charging property which represents an *inter vivos* gift. Paragraph 4 (3) lays down a general rule that for quick succession relief purposes the property which is in fact charged on the later death is to be regarded as the same property as that comprised in the original gift. This general rule is modified by paragraph 4 (4), in relation to cases where the donee predeceases the donor and relief is accordingly given on the donor's death. That sub-paragraph directs that the property chargeable on the second (the donor's) death shall be treated for relief purposes as the same as the property on which the *inter vivos* gift duty would have been charged if the donor has immediately predeceased the donee. If that property includes a sum of money, an opportunity is given to treat other property representing that money as also being the same property as that which suffered duty on the donor's death. Paragraph 4 (4) also provides that where the donee predeceases the donor, relief is not to be allowed on the donor's death by reference to any death subsequent to that of the donee.

Paragraph 5 provides that for the purposes of clause 30 (shown erroneously in the paragraph as clause 27) a disposition for partial consideration which is treated as an *inter vivos* gift shall not be regarded as a purchase for money or money's worth. However, where quick succession relief is given in respect of the gift, the net value after the earlier death shall be abated in the same proportion in which the value on which estate duty is payable on the second death is abated by reason of the consideration.

Clause 30 (5) provides for quick succession relief in respect of duty paid in Northern Ireland, subject to the Government of Northern Ireland providing for similar relief for British duty.

Clauses 31–33

The four pages of abstruse and highly complicated legislation which make up the Eighth Schedule would need a whole book for its full exposition, even if the wording was such as to leave no doubt of the meaning. One turns with relief to clause 31 which contains the one simple provision that where works of art and the like would under the present law escape duty through being sold to certain public bodies, such exemption is not to be given unless the sale is by private treaty. It is thought that where these works of art are put up to auction, the seller should not benefit merely because it happens that one of the public bodies happened to outbid private buyers.

Clause 32 merely sets at rest doubts as to whether certain trustees who hand over property to the Inland Revenue in settlement of estate duty are acting within their powers. Frequently they have power under the terms of the trust to sell the property, but recent decisions have emphasized that handing over property in settlement of a debt is not a sale in the strict sense. Clause 32 enacts that where trustees have power to sell property to raise estate duty, they shall be deemed to have power to hand it over in settlement of the duty.

Clause 33 extends the scope of Section 33 of the Finance Act, 1956. This section introduced relief from estate duty where property is compulsorily purchased within five years after it has been valued for duty. Clause 33 (1) applies the section to interests in houses which are demolished in pursuance of a demolition order under Part II of the Housing Act, 1957, or a clearance order under Part III of that Act, as if:

(*a*) the house had been purchased at site value in pursuance of a compulsory purchase order under Part II or Part III, and compensation in respect of the interest had been payable accordingly; and

(*b*) the purchase had been made in pursuance of a notice to treat served on the date on which the clearance or demolition order was made.

Clause 33 (2) makes similar provision where a house is vacated or demolished in pursuance of an undertaking given to the local authority. Sub-clause (3) defines 'house' and 'site value'. Sub-clause (4) provides that the clause shall have effect in Scotland as if references to the Housing Act, 1957, were to the corresponding parts of the Housing (Scotland) Act, 1950.

(*To be continued.*)

RECENT DEVELOPMENTS AFFECTING PROPERTY-OWNING COMPANIES

PRACTICAL PROBLEMS OF CONVERSION

by T. J. SOPHIAN

IN recent years a number of important questions have been raised which affect property-owning companies. Some of them have been dealt with by legislation; others have been the subject of decisions of the Courts.

At the present time, many buildings are being converted into flats or suites of offices, and landlords are seeking to emulate the Scottish practice of disposing of the freehold, or at any rate of selling long-leasehold interests in the converted premises.

Conversion and Schedule A

The difficulties that arose out of the decision in *Gatehouse v. Vise* (36 A.T.C. 56), which would in many instances have thrown the burden of the Schedule A liability wholly on the landlord, have been smoothed out by Section 18 of the Finance Act, 1957. The assessment can now be made in the usual way on the lessee of each part of the converted property, the lessee being entitled to the usual right of deduction of the tax from the rent.

What a developer has most reason to fear, when conversion is contemplated, is the fact that the converted parts may be treated as new entities entirely distinct from the unit formerly constituted by the containing building. In such cases new Schedule A assessments will be attracted with regard to each converted part and very substantial increases in the Schedule A liability can be expected.

Owing to the continued pause in the matter of Schedule A revaluation, old properties, while they are left in their previous state, are still entitled to enjoy their old assessments.

It is important, therefore, to preserve this benefit as far as possible, and skilful planning in the matter of the conversion may be effective in preserving the old assessment and avoiding any new assessment of the converted parts.

Another practical hint that may be given, is to avoid the creation of any new separate entrances for any parts of the building to be converted, again with a view to the prevention of new assessments, as far as possible.

Preservation of Single Common Entrance

For the purpose of Schedule A, the common entrance from the street to the various parts of a building largely determines the question of what is to be regarded as the Schedule A unit of assessment.

Therefore, in the case of a building with a basement, it would be disadvantageous to cut off the basement which formerly could have been approached by the common street entrance, through the internal staircase, and to give it a new exclusive separate entrance from outside, by an external staircase for example.

By cutting off the basement from the rest of the building, a new unit, consisting of the basement itself, would be constituted, and a new assessment accordingly would be attracted.

Incidentally, it should be observed that the rating principle differs from that governing Schedule A; for the rating assessment would be on each individual part of the property, irrespectively of whether or not there was a common entrance from the street to more than one such part.

Inasmuch as the Schedule A assessment would now be directly on the occupier of each part who would enjoy the right of deduction of the tax from his rent, the landlord must adjust the rent and the premium in respect of each part, so as to produce the most profitable results.

Premiums

When the activities of the landlord constitute dealing in property, any premiums received on the grant of long leases would be part of the trading receipts, in the same way as the purchase price received on freehold sales.

When, on the other hand, the property is held as an investment, and does not constitute part of the stock-in-trade, the premium in question would be treated as a capital receipt: for the property itself would be capital, and the price received on its sale would represent the cash into which it had been converted.

Where, however, the owner may be particularly affected as the result of charging a premium, is in respect of the Schedule A assessment, which would be made in accordance with the rule in *Davies v. Abbott* (6 A.T.C. 296).

There the property was let for a term of twelve years, at a yearly rent of £165, in consideration of a premium of £300, the tenant being liable for repairs. The assessment for Schedule A was worked out on the following basis:

	£
Rent	165
Premium $\frac{\pounds 300}{12\text{ (years)}}$	25
Interest on premium	15
	£205
Adjustment for tenant's liability for repairs	45
Gross Schedule A assessment	£250

The Rent Act and Premiums

Any consideration of the position with regard to premiums would be incomplete without an examination of the complex problems on this subject raised by the recent Rent Act legislation.

Most landlords want to know the circumstances in which they would be entitled lawfully to charge premiums. This question affects both controlled and decontrolled properties, and even in some circumstances, properties which may never have been controlled.

As at the date of the passing of the 1957 Rent Act, the charging of premiums was prohibited in the case of the grant, renewal, continuance or assignment of any tenancy which would be controlled by the Rent Acts.

The Acts, however, as at that date, did not apply to tenancies at a rent of less than two-thirds of the rateable value of the premises, so that the prohibition against the charging of a premium equally did not apply to such tenancies.

The 1957 Act decontrolled houses of a rateable value on November 7th, 1955, in excess of £40 (in London or Scotland) and £30 (elsewhere). In addition, it decontrolled all *new* lettings effected after July 6th, 1957, to persons other than sitting controlled tenants, even of premises of a smaller rateable value.

In the case of such decontrolled houses or tenancies, however, the 1957 Act introduced a new restriction, prohibiting the charging of premiums in such cases in consideration of the grant, or renewal or continuance or assignment of a tenancy of any such house, or of any such new tenancy.

Furthermore, in such cases, the restriction against the charging of premiums was not to be avoided by the device of letting the premises at a rent of less than two-thirds of the rateable value.

This restriction on the operation of this device, however, is limited to the two cases mentioned above; viz. to the case of lettings of houses decontrolled by reason of their rateable values being in excess of the limits of £40 and £30 respectively, and of new lettings effected on or after July 6th, 1957. If the tenancy, therefore, is outside the Rent Acts for any other reason, as, for instance, because of the erection or conversion of the property after August 30th, 1954, the date of the commencement of the Housing Repairs and Rents Act, 1954, a premium may be lawfully charged on the grant, renewal, continuance or assignment of a tenancy of such an exempted house. (The exemption was conferred by Section 35 of the Housing Act, 1954.)

A partial exemption is also conferred by the proviso to Section 13 (1) of the 1957 Rent Act, in favour of tenancies, at a rent of less than two-thirds of the rateable value, of houses decontrolled because of their rateable value. The exemption is limited in two ways. It only applies to tenancies at such low rents granted before July 6th, 1957, and it can only be enjoyed on an assignment of such a tenancy. A premium, therefore, may be charged on an assignment, and an assignment alone, of such a tenancy.

Long Tenancies

Section 21 of the 1957 Rent Act, however, confers a very wide exemption in cases where the tenancy is a 'long tenancy' for a term of more than twenty-one years.

Such tenancies are completely excluded from the operation of the Rent Acts, irrespectively of their date of creation, whether before or after July 6th, 1957, the operative date under the 1957 Rent Act.

A premium, therefore, may be lawfully charged in consideration of the grant at any date on or after July 6th, 1957, of such a long tenancy.

If the long tenancy is one that was granted before July 6th, 1957, a premium can be lawfully charged for its assignment, or for its renewal or for its continuance for any length of time.

Such long tenancies, however, will be brought within the operation of Part I of the Landlord and Tenant Act, 1954, a matter into which it is unnecessary to enter here.

The most effective method, therefore, to be adopted in order to entitle a landlord to charge a premium for Rent Act property, whether it is decontrolled or still controlled, is to grant long tenancies of upwards of twenty-one years.

Sales of Houses

Passing to a consideration of other topics, the question of whether a profit realized on the sale of property is a capital or a trading receipt, still continues to engage attention. One is concerned in particular with border-line cases, of which one of the most recent and important is the case of *Jas. Hobson & Sons v. Newall* (36 A.T.C. 239).

In that case the question arose as to whether houses, some of which were purchased and others built by builders, constituted capital investments or stock-in-trade, and it was held that they constituted stock-in-trade and that the profits from their sale constituted trading profits.

It is of interest to observe that the objects of the company, according to the memorandum of association, were to carry on the business of builders and to purchase, lease or otherwise acquire real or leasehold property for business purposes or for reinvestment and resale. There was, however, no power to *build* houses as distinct from the power to *buy* houses, for the purpose of investment.

This omission appears to have had some influence on the way the decision went in that case, and the moral to be drawn is that in such cases the objects clause should be drawn sufficiently widely so as to confer power both to buy and to build houses as investments.

Where it is sought to preserve the investment and capital character of any asset, such as houses in the above case, the method of dealing with the asset after its creation or acquisition should be such as to make it quite clear that its creation or acquisition was effected solely with the intention of clothing the transaction with such a capital character.

Expenditure on Accumulated Repairs

The risks attendant on taking a lease of business premises in a dilapidated condition on full repairing covenants is exemplified by the case of *Laskers v. Home Furnishers Ltd* (35 A.T.C. 469), where the Revenue succeeded in aplying the *Law Shipping* principle to the facts.

The Court held that the tenant was not entitled to deduct the cost of making good the dilapidations, since they had occurred prior to the creation of the tenancy and therefore were unconnected with any period of trading.

On the other hand, if the tenant in this case had entered into the tenancy on the terms that a higher rent should be paid to offset the cost of the dilapidations and that the dilapidations were to be made good by the landlord, the tenant would have been entitled to deduct, as a trading expense, the excess of the rent, spread over the term of the lease which would have represented the landlord's outlay on the dilapidations.

This decision, it may be noted, should also prove a very useful weapon in the armoury of any tenant who is seeking a renewal of his tenancy under the Landlord and Tenant Act, 1954, particularly where a transfer of the repairing obligations from the landlord to the tenant is being proposed, or is being ordered by the Court.

No deduction from trading profits for the extra outlay involved in executing the previous dilapidations, it seems, could be allowed, because of the above decision, and if any such transfer of repairing obligations is to be made from the landlord to the tenant, corresponding relief should be granted to the tenant in fixing the rental to be paid under the new tenancy.

Taxability of Value Payments

Finally, reference may be made to the decision of the House of Lords in *London Investment and Mortgage Co Ltd v. C.I.R.* ([1958] 2 All E.R. 230).

After some differences of judicial opinion, it has been finally decided that a value payment received for war damage by a company which deals in property, so that the property forms part of its trading stock, constitutes a trading, and not a capital, receipt.

The arguments turned on the provisions of Section 66 and Section 80 of the War Damage Act, 1943, and Section 28 of the War Damage Act, 1949.

The important point to note, however, with regard to this decision, is that it was a case in which the company traded in a sense in property, which was part of its trading stock. The decision, therefore, is not of general application to value payments. A distinction must be drawn, it is submitted, with regard to companies and individuals who own property as an investment. In some cases any value payment received would, it seems, constitute a *capital* receipt, and would not be of an income character. The value payment represents the amount by which the value of the property has been diminished as the result of the war damage.

A cost of works payment, furthermore, cannot in any circumstances constitute a Revenue receipt, not even in the case where the recipient is to be regarded as dealing in property which is part of his stock-in-trade.

A 'cost of works' differs from a 'value' payment, in that it represents the actual outlay incurred in repairing the war damage.

In practice the payment is made by the War Damage Commission directly to the contractor who carries out the work. If it happens to be made to the owner of the property, the latter acts merely as a conduit to pass the money on to the person who has actually executed the work.

Neither the receipt of the cost of works payment nor the payment out to the person executing the work should appear in the accounts, and if there is any entry of the cost of works payment there would be a corresponding balancing entry of the payment-out to the person executing the work.

Accounting in Commercial Television

by K. H. SAUNDERSON, A.C.A. and G. A. VALVONA,
of Associated-Rediffusion Ltd

IN 1954, Parliament approved the Television Act and the Independent Television Authority was created to provide an alternative television service in this country. The Act allows the I.T.A. to appoint programme contractors to supply programmes which they must finance from their own resources, but are allowed to raise revenue by selling air time for advertising. Certain conditions are laid down however. For example, the number of hours of transmission is controlled by the Postmaster-General, the amount of foreign material for programmes must not exceed a certain percentage of the total output, nor must the amount of advertising exceed an average of six minutes in one hour. The actual programmes should not contain any advertising (except bona-fide advertising magazines) and they must be approved by the I.T.A. for balance, good taste, religious and political impartiality. Certain types of advertising are not allowed and methods of advertising must conform to standards laid down by the I.T.A.

Several programme contractors have been appointed by the I.T.A. to supply programmes in different parts of the country, either on weekdays or at the week-ends, or in some cases for the whole week. All the programme contractors supply programmes to one another, for which they use the term 'networking', and the programme, when transmitted, is credited to the originator. The two programme contractors who were first in the field were Associated-Rediffusion and Associated Television and to them fell the bulk of the problems of establishing the alternative system.

'Getting on the Air'

Only nine months elapsed between the granting of the licence to Associated-Rediffusion and the first transmitted programme: during this whirlwind period studios had to be built, equipment obtained and installed, personnel recruited, and if necessary, trained; and whilst all this was going on, the administration personnel were working in a building which was having the inside torn out and put back by hundreds of bricklayers, plasterers and electricians. But due to almost superhuman efforts by all concerned, at 7.30 p.m. on Thursday, September 22nd, 1955, I.T.V. was born.

The accounts department during this hectic period were, however, having a rough time. The tremendous energy spent in 'getting on the air' was done at the expense of a proper system of control: more orders were poured down telephones without paper-work in one day then than would now be tolerated in a year. Such questions as 'What is such-and-such a programme going to cost?' were met with hollow laughter. The department was probably not aware that the company was even doing the programme and one would spend days trying to find someone who was. Even then, that person would say, with a wave of his theatrical hand 'Oh don't bother me with sordid money problems, we must get this programme on the air'. Those who have experienced being posted to a service unit two days before embarkation will know exactly the situation that existed at Television House.

During this formulative period many of the technicians and production personnel went to America to study methods of operation in that country. It is the practice for the Americans to try to recover as much of their operating costs as possible from the sponsor (that is, apart from the costs the sponsor normally pays such as artists' fees, music, etc., which for the student of American phraseology are regarded as 'above-the-line'). British commercial television, however, has not got this direct relationship between what it is buying and what it is selling. As mentioned earlier, the Act prohibits the advertiser choosing the programmes: he can only choose the time. The supply of programmes must, however, be maintained whether all the advertising time is sold or not. Programme contracting companies in a way, therefore, have two separate 'businesses': one of producing programmes and one of selling air time. There is, of course, an indirect relationship between these two 'businesses': the better the programme, the greater the number of people who watch, providing a greater incentive for the advertiser to use commercial television as a medium for advertising.

Classification and Control of Costs

The hours of transmission are divided into periods each day, and each period attracts a different rate for advertising time. The most expensive periods (or 'segments' as they are termed) are naturally those when most people are watching (the peak hours being between 7.30 p.m. and 10 p.m.). The advertiser can book into any segment for a 'spot' of 15, 30, 45 seconds or one minute for any advance period (which in some cases may be twelve or more months ahead). The recording and availability of bookings thus presents a complex problem, since an advertiser may book into:

(*a*) any of four lengths of time 'spot';
(*b*) any of thirteen segments per day;
(*c*) any of five days per week;
(*d*) any week for the next two years.
(*e*) Any cancellation of the above prior to thirteen weeks from transmission.

At the moment this problem is being handled by a system of wall charts and, as a separate operation, invoices for the actual transmission of advertisements are prepared from a second-by-second 'transmission log'. The need has already been felt, however, for various statistical analyses of bookings and the potentiality of punched-card equipment for this purpose is being investigated. The booking would form the basis of the actual punched card and it follows as a logical step that the latter could then, after verification with the transmission log, be also used to prepare the invoice.

As mentioned earlier, expenditure is only indirectly related to income, so a much stricter control needs to be exercised over it by management. For this purpose, therefore, expenditure is classified into three categories – direct, indirect and overhead. A strict definition of these terms has yet to be found but, roughly, we take 'direct expenditure' to mean any expense directly incurred in making the programme, such as artists' fees, wardrobe, scenery, musicians, etc. 'Indirect expenditure' is regarded as the cost of providing the means to transmit the programme, such as camera operators, sound and electrical technicians and the maintenance of the equipment and studios, all of which can, if necessary, be related to a specific programme (although the allocation of this expenditure would necessarily be somewhat arbitrary). Overhead expense we think of as being the cost incurred in the general administration of the business (other than the programme side), such as the general manager's department, the sales, secretarial and accounts departments.

Preparation of Budgets

The basic control of direct costs is by estimation of the expenditure for a quarter as an overall plan. It is not possible to plan further ahead than one quarter because of the nature of the entertainment business (bearing in mind that direct costs are the costs of artists, scenery, etc.). At a later stage the individual programmes are examined by a budget committee, and a final budget – based on the known requirements of that programme – is prepared. To give an example: suppose when estimating the costs of a quarter, £*x* is allowed for the 'Play of the Week'. At this stage the drama department have not decided which play they will produce in, say, the fifth week of that quarter. But when the budget committee considers the play some six or seven weeks before production, the drama department not only know which play they will produce, but have the star in mind, know what kind of setting they want and so on, so that the budget committee have the necessary facts on which to base the final budget which may well be £*x* plus £*y*.

All programmes are dealt with under sections, such as light entertainment, drama, features, etc., each having its own section head, but all coming under the overall jurisdiction of the controller of programmes. Each section has attached to it a cost assistant who comes under the jurisdiction of the chief accountant. The function of the cost assistant is to be 'in' on all planning and arranging of the programmes, such as artists engagements, ordering of scenery, wardrobe, etc. By this arrangement he can report daily, both to the director of the programme and to the manager of the section responsible, the cost implications of their actions; and if it appears likely that the previously approved budget will be exceeded, then remedial action can be taken. Alternatively, if the budget is inadequate because of circumstances beyond control, further approval can be sought from the controller of programmes.

At the point of transmission, therefore, the greater part of the estimated cost is known. After transmission, but not more than seventy-two hours later, the cost assistant investigates any known further expenditure and submits an estimated cost sheet, showing the allotted budget (including adjustments, if any) and the estimated cost under twenty-three headings, of which a few are: story, cast, film inserts, transport, entertaining, wardrobe, and music. Summaries of total programme allocations, budgets and estimated costs are reported weekly to the programme department and any excess over budgets worthy of investigation are reported daily to the assistant controller of programmes responsible for programme production. Fortnightly reports and summaries are presented to management, and every quarter a summary of the twenty-three headings is prepared for each section.

Producing Information for Management

It may be emphasized that all the above information is based on estimation; it will not have been necessary to refer to any books of account. In fact, at the point of transmission, probably the only item which has been paid will be for the script. The object of this system, therefore, is to produce management, departmental and sectional information before and immediately after a programme is transmitted and for this a certain amount of accuracy is sacrificed. In order that the 'tail does not wag the dog', historical costs are analysed, not to individual programmes, but to the section which has produced the programme. This analysis is in greater detail inasmuch as there are 136 cost classifications within twenty-three headings, which gives management information as to types of expenditure within any section. This information is produced quarterly, any variances between the actual and estimated costs being investigated. The method of analysis is such that the costs of any individual programme can be reconciled with the estimates, but this is not done as a matter of routine. The main purpose that this analysis of historical or actual costs serves, therefore, is as a check on the accuracy of the estimated costs. In the early operation of this system the variances were substantial due to inexperience of commercial television and its requirements for programmes, a lack of a tight control system and the sheer volume. Today this variance is far less than 1 per cent.

Both indirect and overhead expenditure is controlled by means of an annual budget, based on the staff and facilities necessary to produce so many hours of transmission. Over the year this is not a static requirement as the seasons play an important part in the operation. Outside broadcasts are more numerous in the good weather months, so that certain staff and equipment are used marginally for autumn and winter and at full pressure in spring and summer. In common with most businesses, certain items are of a known and committed nature so that the reporting of actual expenditure compared to budget is concentrated upon the items which are within the control of management. The annual budget is prepared departmentally in association with the heads of departments who will be responsible for controlling the expenditure. Each month the actual expenditure incurred is compared with the budget allocation for the month, broken down departmentally as well as by types of expense, and any significant variations investigated. Apart from this monthly comparison of actual expenditure with budget, which is prepared for management purposes, a fortnightly operating statement is produced for the board of directors which is, in effect, an estimated profit and loss account, showing the result for the current period, the corresponding period last year and the cumulative profit or loss to date for the current year. This statement includes, of course, not only the indirect and overhead expenditure, but also the fortnight's direct programme cost estimates and the actual advertising income.

In the first two years of this new medium the company, in common with other programme contractors, lost money rather heavily. The corner has now been turned however, and operations are showing a profit. The accounts department can, we feel, justly claim to have had some part in these changed circumstances. The somewhat unusual accounting approach has enabled us to provide management, within seventy-two hours, with estimates of costs (which to all intents and purposes are actual costs). In addition, management is able to forecast expenditure for periods ahead in a type of business which is not a mass-production unit, but a creative, and therefore partially unknown, type of enterprise.

Cost-wise, management knows where it has been, where it is going and how it is getting there. Information is produced quickly and in sufficient detail upon which to base policy decisions.

Calculations in Re-equipment

Factors Affecting Decisions on Capital Expenditure

by JAMES M. S. RISK, B.Com., Ph.D., C.A., F.C.W.A., A.C.I.S., F.B.I.M.
Secretary and Financial Controller, Hackbridge Holdings Ltd

THE recent relaxations in credit restrictions may encourage some companies to embark on new capital projects. Before doing so, it may be well to ascertain that the extra output desired cannot be achieved by greater productivity from present plant and machinery. This might be done by the use of work study or by double-shift working. Or it may be that variety reduction will help. Long manufacturing runs on fewer products mean lower costs with less need for extra plant and machinery.

Where these methods are not appropriate or do not provide a complete answer to the problem, resort must be had to fresh capital expenditure.

Forecasts and Assumptions

That the problem is no easy one has been aptly stated by Mr J. A. Scott, C.A., F.C.W.A., A.M.B.I.M., using the cotton industry as an example.

> 'The whole problem of whether to re-equip or not to re-equip at a given point in time raises almost every possible economic factor which can be thought of, particularly where re-equipment is on a major scale:
> (*a*) the future demand for the products of the present equipment *v.* the new equipment;
> (*b*) the probable future trend of selling prices, wages, raw materials, power costs, etc.;
> (*c*) the probable trend of taxation, inflation or deflation;
> (*d*) present and future technical developments;
> (*e*) availability of supplies of raw materials, of labour, and of equipment.'

A formidable list!

Perhaps the four most important assumptions are the following:

(1) that there will be a demand for the product over the prescribed period of years;
(2) that raw material can be obtained;
(3) that employees will be available;
(4) that the product can be made at a cost which will be attractive to customers.

In the case of an individual company, there are, of course, many other factors which will have to be taken into account.

Forecasts needed will probably include the following:

(1) trend of world-wide demand for the industry's products;
(2) trend of demand in Great Britain;
(3) trend of other competing products, e.g. synthetic materials;
(4) pattern of demand in Great Britain as affecting particular products;
(5) the share and type of demand forecasted for the particular company.

(A check list of items that may need consideration is given in Appendix I.)

Whenever possible each factor should be assessed in physical and/or financial terms. For, as Lord Kelvin said:

> 'When you can measure what you are speaking of, and express it in numbers, you know that on which you are discoursing. But if you cannot measure it, and express it in numbers, your knowledge is of a very meagre and unsatisfactory kind.'

The period for which forecasts are needed will depend on the amount of capital expenditure envisaged and the rate of return on the money invested.

Another factor to be considered is whether the equipment will be special purpose machinery or can be used or adapted to make a variety of products; perhaps one may even have to think about the chances of being able to sell the equipment second-hand, if the need for it should decline.

Margins of Error

Some of the forecasts will turn out to be wrong. This is to be expected, but the important thing is the degree of error ultimately found. This suggests that in setting out the assumptions on which a plan is based one should try to assess the range between which the answer will vary.

For example, if it is believed that demand for the company's products will rise by 2 per cent (compound) a year over the next ten years, it may be well to assess the effect of the actual result falling between 1½ per cent and 2½ per cent, or otherwise according to the factors involved.

If the machine or equipment is expected to have a short life, or if the additional profit expected is at a substantial rate, then it may not matter if the margin of error attached to the various assumptions is appreciable (provided vast sums are not involved); but if a long life is expected for the equipment or the rate of return is to be small, then greater care must be taken in obtaining accurate assumptions and in assessing the potential limits of error.

The greater the expenditure and the longer the pay-off period, the higher will be the chances of

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Based on a paper presented at The Cotton Board Conference in Blackpool during May 1958.

mishaps. In examining the problems of automation, one writer has said:

> 'Optimistic hopes may not be realized in the event and the penalty of superficial examination or faulty judgment could be very severe . . . careful thought and preplanning should be carried out in order to reduce the area of uncertainty. Foresight not hindsight must be the rule.'[1]

It would be surprising if every plan turned out exactly as expected. When very large sums are involved and the future of a company is at stake, it seems only right that the plans should be made in the most detailed manner and that the major assumptions underlying them should be set down and tested and cross-checked in every way possible. Thereafter the accuracy or otherwise of each main assumption should be checked at regular intervals, so that if a substantial error has been made, action can be taken to modify the future plans, in so far as this can be done after they have been initiated.

If, despite all possible care, mistakes are made, they may result in redundant plant, causing higher fixed overhead and interest charges, thus reducing the flexibility of the firm and making it more vulnerable during recessions.

Return on Investment

If money is to be spent on machinery it is only reasonable to ask what financial return could be obtained by investing the cash in some other direction. An individual investor has many choices open to him and he naturally looks for the highest return he can get consistent with the risk he runs.

However, in the case of most industrial companies, one does not start from scratch but from a state of affairs which may at the present time be financially sound or alternatively verging towards insolvency; profitable or the reverse.

The rate of return on various types of investment has recently been given by the London Stock Exchange.[2] For loan capital of British Funds, Guaranteed stocks, etc., the average gross return (that is, before deducting tax) as compared with the nominal capital rose slowly from 2·94 per cent in 1947 to 3·18 per cent in 1957. In the same period, the average gross return on all forms of loan capital as related to ***market values*** rose from 2·9 per cent to 4·2 per cent.

For ordinary share capital in all industries, the gross return on market values rose from 4·2 per cent in 1947 to reach 6 per cent in 1954, thereafter fluctuating between 5 and 6 per cent. These figures are based on dividends and not on profits earned. If it be assumed that profits earned are at least twice the gross dividends paid, it may be postulated that the gross return on re-equipment expenditure should be at least a minimum, before tax, of 10 to 12 per cent. The tables in Appendix 2 show the trend of return in recent years.

If a company has been successful in the past and has retained substantial amounts of its profits in the business, it may have liquid funds available or be able to raise money quite readily. Thus some companies will start from an advantageous position and others from an adverse situation.

The rate of return required will vary according to the time the money is tied up and the degree or risk involved. If cash is to be expended on equipment with a long life, the return should be at a higher rate than where an investment will become liquid in a short time. The longer the period money is immobilized, the greater the danger of obsolescence. Again, if capital is tied up in one project for a long time, it may prevent a company from taking advantage of some specially favourable opportunity.

It is important to know how soon an investment will become liquid, for, if the additional return is small, it will take many years to regain a liquid position, thus courting the drawbacks and hazards mentioned above.

In addition to the length of time the cash is tied up, there is also the speculative element to be assessed. Will there be a demand for the product in three years time? Will synthetic materials oust those of nature? What will be the effect of foreign competition? Of a free trade area? Of a world recession? These questions are easier to ask than to answer. Yet some assessment of them must be made, unless the decision to re-equip is to become a mere gamble. The aim must be to change the gamble into a calculated speculation, but the greater the element of speculation, the higher must be the return on new equipment.

Other Factors

Obsolescence. – What is obsolescence and how is it measured? Has it a distinctive nature or is it just a question of degree? Is it continuous or spasmodic?

It is thought that every small improvement in a given type of equipment automatically makes the existing equipment obsolete to a certain extent, however small. The improvement may be only a slight increase in running speed, and in the case of some improvements, it may be possible to apply the modification to an old machine thereby bringing it into line with the new model.

If it is right to say that obsolescence is a continuing process, what we must do is to try to estimate the rate of obsolescence under 'normal' circumstances. Secondly, there may be some startling development which accelerates the rate of obsolescence over a short period of time. To judge when such occasions are likely to arise seems to require a degree of prescience which it would be unfair to expect in every business man.

If the design of certain equipment has been static for many years, one may say that either it has reached perfection or that some significant improvement is overdue and must be expected. On the other hand, if there has just been a period of rapid development one may feel that there will not be many changes for the next few years; alternatively, one may judge that recent improvements may set off a chain of further developments.

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[1] 'The Cost Accountant and Automation in the Factory', Alan Kenyon, B.COM., F.C.W.A., A.A.C.C.A., A.C.I.S., A.M.B.I.M. *The Cost Accountant*, February 1957.

[2] *Interest and Dividends upon Securities quoted on the Stock Exchange, London, 1957.* Stock Exchange, London, 1958. Price 2s 6*d*.

The longer the expected life of any new equipment, the greater the chance that it will become obsolete to a greater or lesser degree before the end of its workable life.

Some attempt must be made to provide for obsolescence in re-equipment calculations. Perhaps if careful records were kept by an industry over one or two decades a table could be built up on the following lines. (The figures shown are purely hypothetical.)

Expected life of equipment. years	*Cost of Equipment* *Below £10,000 Obsolescence per cent*	 *£10,000 and over Obsolescence per cent*
5	3	5
10	5	10
20	12	20
25	15	25

Any figures in a table derived from past experience would be used only as a starting-point from which to assess the possibility of obsolescence arising in the future.

Effect of taxation. – The standard rate of income tax has moved as follows:

	Rate per £
1922–23 to 1937–38	Between 4*s* and 5*s*
1938–39 to 1940–41	Rising to 8*s* 6*d*
1941–42 to 1945–46	10*s*
1946–47 to 1954–55	9*s* or 9*s* 6*d*
1955–56 to 1958–59	8*s* 6*d*

For twenty years the rate of income tax has been 8*s* 6*d* or higher.

These figures exclude profits tax, national defence contributions or other taxes on profits. If profits tax is now to be 10 per cent on all profits whether distributed or not, the total tax will be 10*s* 6*d* per £.

Taking into account the demands of national defence, of education and other social services, one cannot visualize any substantial reduction in the rate of tax on company profits.

While taxation is not a factor in assessing the profitability of a project, it extends the period of time before the original cash outlay becomes liquid again. Thus, the quicker an investment becomes liquid the shorter the period of speculation and the smaller the chance of obsolescence causing a drop in profits.

Methods of Screening Projects

Profitability statements. – In practice, business problems are seldom straight-forward. There may be clear reasons why certain capital expenditure must be undertaken even though the direct rewards may be small.

When work study, double shift working, and variety reduction have played their part and it is still felt that there is a case for new equipment, the first step is to set down the cost of operating the present equipment and to compare it with the operating cost of new equipment. Naturally, one should set out the *future* cost of operating the present equipment as maintenance charges may increase with age.

Assuming that the new equipment will produce greater output which can be sold at the current selling prices, one can then make up a statement on the lines shown in Appendix 3.

It will be noticed that provision has been made for interest (on an approximate basis). While it may be argued that it is wrong to include a charge for interest in the sectional accounts of a business, there seems to be a sound case for taking it into account when comparing the profitability of alternative courses of action.

Pay-off period: simple method. – The pay-off period is important because the shorter it is, the sooner does the company's financial position become liquid again. Moreover, the possibility of obsolescence affecting the profitability of a project is lessened.

Methods of calculating the pay-off period have been carefully explained in a recent paper by Mr J. A. Scott and I should like to make full acknowledgment to the work done by him.[1]

What is called the simple pay-off period is found by dividing the capital outlay (less scrap value of old plant) by the annual cash gain.

To find the pay-off period, it is necessary to establish the 'annual cash gain'. This has been defined as the 'difference between the estimated average "movable" out-of-pocket operating costs of the two methods, excluding any allowance for depreciation and interest.' 'Movable' costs are those which move with changes in method. If there will be changes in income as a result of the investment the annual cash gain will be increased by the difference between the income (less material cost) of the old and the new methods.

Pay-off period after interest and tax. – Because an investment in capital equipment reduces the liquid funds of a company or causes it to borrow money, it is desirable to take into account the notional or actual amount of interest which will be paid out. Likewise, provision has to be made for payment of taxation. The pay-off period under these conditions is found by dividing the capital outlay (less scrap value of old plant) by the average net cash gain; (that is, the annual cash gain after paying interest and taxation).

An illustration is given in Appendix 4. To make the calculations easy to follow the example assumes

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[1] 'The Economics of Plant Replacement', J. A. Scott, C.A., F.C.W.A., A.M.B.I.M. *The Cost Accountant*, April 1958.

APPENDIX 1

CHECK LIST FOR FORECASTING

Conditions: Political

International	Effect of War, e.g. Korea
National	Concentration of Production (e.g. as in war time) Controls: Imposition and relaxation Capital Issues Committee Currency Control
Local	

Technical Developments

Obsolescence: effect of scientific developments

Trade Union Co-operation

Conditions: Economic

International	Exporting Problems Balance of Payments Foreign Exchange Finance Credit
National	National Income Employment and Unemployment Earnings Purchasing Power and its distribution Personal expenditure on consumer goods Bank deposits and level of savings Financial and Physical Indices
Local	Competitors: Number and relative sizes
Trade Cycle: Booms and Depressions	Effect of Fiscal Policy on Trade Cycle
Changes in the value of money	

Conditions: Fiscal (Taxation)

Sales Taxes (if any)

Purchase Tax

Income Tax

Profits Tax

Other Taxes

Conditions: Physical

Climatic Conditions

Effect of Development of Existing Lands (Resources) or Inventions

Conditions: Social and Racial

Population	Age Distribution (Expectation of Life) Sex Distribution Growth (Birth Rate; immigration) Diminution (Death Rate; emigration)
Changes in Fashion	
Social Trends	Education School leaving age Television/Cinema, Sports Non-recurring Events, e.g. Coronation

Limiting Factors

Political and Legal

Sales

Facilities (Equipment)

Materials: substitutes

Double Shift Working

Treble Shift Working

Labour

Working Hours

Profit

Finance

APPENDIX 2

RETURN ON INVESTMENT

Table 1 - Gross Return on Loan Capital: British Funds, Guaranteed Stocks, etc.

NOTE – The figures on this and the following tables have been extracted or derived from a Stock Exchange publication.

	Nominal Capital	*Interest*	*Average Return*
	£ Mn.	£ Mn.	%
1947	13,153	387	2·94
1953	17,152	509	2·97
1956	18,482	583	3·15
1957	18,496	589	3·18

Table 2 - Gross Return on Ordinary Share Capital (All Industries)

	Capital		*Dividends*	*Return*	
	Nominal	*Market Value (at end June)*		*On Nominal*	*On Market Value*
	£ Mn.	£ Mn.	£ Mn.	%	%
1947 ..	2,340	6,657	282	12·1	4·2
1954 ..	2,719	7,397	444	16·3	6·0
1955 ..	3,226	10,171	524	16·2	5·2
1956 ..	3,492	9,530	567	16·2	5·9
1957 ..	3,793	10,880	603	15·9	5·5

Table 3 - Gross Return on Ordinary Share Capital of Commercial, Industrial Companies, etc. (Breweries not included)

	Nominal Capital	*Dividends*	*Return*
	£ Mn.	£ Mn.	%
1955	1,888	301	15·9
1956	2,068	321	15·5
1957	2,276	340	14·9

Table 4 - Ratio of Market Value to Nominal Amount of Ordinary Shares - Commercial: Industrial: Breweries

		Market Value	*Ratio of Market Value to Nominal Amount*
		£ Mn.	%
1954	June 30 ..	4,803	275
	Dec. 31 ..	5,616	295
1955	June 30 ..	6,393	312
	Dec. 30 ..	5,930	274
1956	June 29 ..	5,293	236
	Dec. 31 ..	5,139	221
1957	July 1	6,247	255
	Dec. 31 ..	5,407	215

APPENDIX 3
PROFITABILITY STATEMENT

Per Annum:	*Present Machinery*	*New Machinery*	
Output: Units ..	100,000	200,000	
Sales Value ..	£20,000	£40,000	
Material Costs ..	£6,000	£12,000	
Operating Costs	£2,000	£1,000	
	£8,000	£13,000	
Balance at cash gain stage ..	£12,000	£27,000	£15,000 cash gain
Fixed Overheads	£3,000	£3,000	
Depreciation ..	£2,500	£4,000	
Interest ..	£1,250	£2,000	
	£6,750	£9,000	
Net Profit (after interest) ..	£5,250	£18,000	£12,750 net gain
Percentage to original cost	10·5%	22·5%	

MACHINERY		
Original Cost ..	£50,000	£80,000
Depreciation p.a. 20 years' life..	£2,500	£4,000
Interest (approximate) at 5% p.a. on half original cost ..	£1,250	£2,000

APPENDIX 5
BREAK EVEN PERIOD

Profit and Loss Account

	End of First Year £	*End of Second Year* £	*Total* £
Cash Gain	600	600	1,200
Less Interest	50	23	73
Net Cash Gain	550	577	1,127
Less Depreciation at tax rates..	344	61	405
Balance for year	£206	£516	£722

Balance Sheets of Capital Project

	Start of First Year £	*End of First Year* £	*End of Second Year* £
Loan Account	1,000	450	(127)
Profit & Loss Account ..	—	206	722
	£1,000	£656	£595
Written down capital cost of equipment	£1,000	£656	£595

NOTE – Net cash gain is used to pay off the loan outstanding at end of each year.

Pay-off Period

$$\frac{\text{Initial Outlay}}{\text{Average net cash gain}} = \frac{\text{£1,000}}{\text{£1,127} \div 2} = \underline{1{\cdot}8 \text{ years}}$$

APPENDIX 4
PAY-OFF PERIOD AFTER INTEREST AND TAX

Data:

Capital Cost ..	£1,000
Annual Cash Gain ..	60% of capital cost
Interest	5% p.a.
Initial Allowances ..	25%
Wear and tear ..	7½% × 5/4
Taxation	10/6 per £

Interest: Year 1
5% on £1,000 = £50
5% on £563 = £28
5% on £259 = £13

Unrecovered Capital:

At start of year ..	A	£1,000
Less Net cash gain, year 1		£437
	A	£563
Less Net cash gain, year 2		£304
	A	£259
Less Net cash gain, year 3		£308
Over-recovery ..		£49

Net Cash Gain:		*Year 1*	*Year 2*	*Year 3*	*Total*
Gross cash gain	B	£600	£600	£600	£1,800
Less Interest ..	C	£50	£28	£13	£91
	D	£550	£572	£587	£1,709
Less Tax at 10/6*d*	E	£113	£268	£279	£660
Net cash gain ..	F	£437	£304	£308	£1,049
Capital Allowances:					
Brought forward	G	—	£344	£405	
Initial Allowance: 25% of £1,000		£250	—	—	
Annual Allowance: 7½% × 5/4 × £1,000 ..	H	£94	£61	£56	
	J	£344	£405	£461	
Balance carried forward ..	K	£656	£595	£539	
		£1,000	£1,000	£1,000	
		(D – J)	(D – H)	(D – H)	
Taxable Gain ..	L	£216	£511	£531	

Pay-Off Period: Average net cash gain...£1,049 ÷ 3 = £349·7.
Capital cost...£1,000 ÷ £349·7 = 2·86 yrs.

a high annual cash gain, namely 60 per cent, thereby showing the cycle of calculations within a period of three years for ease of presentation.

Break-even period. – It has been pointed out that even before the pay-off date is reached, there is a break-even or equalization period which is shorter. This is stated as the 'earliest time required to reach a position when the business cannot be worse off by having undertaken the replacement project'.[1] It is assumed that at the end of the equalization period the new plant could be disposed of or scrapped without any sale value, and that at that point a claim would be made for taxation 'balancing allowance'. At that point the annual cash gains less the total interest paid on the reducing balance of funds allocated to the replacement project will be equal to the original capital cost of the project.

Using the same basic data as that given in Appendix 4, the results of using this further method are shown in Appendix 5. The answer shown is approximate, tax having been ignored. This is because any tax paid out would be recovered if the plant were scrapped at the end of the break-even period.

Future balance sheets. – The use of one of the pay-off methods or the calculation of the return on capital employed is essential for every substantial project, but when a major scheme involving tens of thousands of pounds is envisaged, wider issues are involved. The future trading activity of the whole business is at stake. This being so, capital expenditure cannot be treated in isolation but must be linked to forecasts of profit and assets needed over a five- to ten-year period. This will necessitate the forecasting of profit and loss accounts and balance sheets, including, of course, items for stocks and debtors. The realization that it may be necessary to finance higher stocks and debtors may cause second thoughts on the extent of re-equipment or the period over which it is to be carried out.

None the less, those firms who find that work study and shift working are in themselves not enough to meet the ever fiercer competition may wish to reflect on what their situation will be in, say, ten years time should they take no special action in the interval.

Conclusion

If a board of directors is to avoid criticism of the type mentioned in Professor Parkinson's recent book, they must endeavour to base their decisions concerning capital expenditure on careful forecasts and calculations. In presenting the facts to his board, the accountant may find that one or other of the methods described above may be of assistance in building up the case.

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[1] W. L. Spalding, B.SC.(ECON.), C.A., F.C.W.A., *The Cost Accountant*, April 1958, page 429.

Weekly Notes

Encouragement to Private Investment

SPEAKING to the National Production Advisory Council on Industry last week the Chancellor of the Exchequer reaffirmed the Government's view that the economy should now be encouraged to enter upon a period of expansion. 'In my judgement' he said, 'we have reached a stage when we can give more encouragement to private investment without prejudice to the strength and stability of our money'. He said that he did not wish the impression to gain currency that the Government has a bias in favour of private as against public investment. Public investment, he said, is running at a very high level and will doubtless continue to do so.

He thought it was encouraging that manufacturing exports to primary producing countries have kept up so well – in many cases due to their ability to draw upon overseas holdings of sterling. The Chancellor did not commit himself on a view as to the course of Europe's own production and trade.

Turning to home affairs he said that the outlook for prices this year is more encouraging than in previous post-war years. By May this year, import prices were down by 11 per cent on the same time a year earlier and he looked forward over the next six months or so to widespread price reductions in shops. Already there had been a slight decline in the average wholesale prices of manufactured goods after an unbroken rise for over four years.

Labour's Economic Policy

A PAMPHLET called *Plan for Progress* was issued last week-end by the Labour Party as the last of its three-year series of policy statements. The pamphlet gives pride of place to the importance of maintaining the value of the £ and controlling the economy in the interests of full employment and stable prices. They say that they do not believe that industrial expansion, full employment, stable prices and a strong £ are impossible to reconcile with one another.

Stress is laid on the need for a policy of expansion which means raising and then maintaining the level of investment in industry. Tax methods will be used, it is suggested, to ensure the quicker write-off of new capital and it is clear from the context that the Labour Party will use taxation as a means of raising the level of savings to provide the necessary funds for investment. A national investment board will be established to keep investment policies under permanent review and building licences will be used as a strategic control over industrial investment. At the same time the party does not intend to indulge in detailed control.

Attempts would be made to halt the cost/price spiral from developing and they would not rule out temporary price controls as a means of doing this. On the other hand no kind of wage freeze is foreseen, and the difficult problem of reconciling trade union policy with stable prices is rather slurred over by saying that the growth of money incomes must broadly keep in step with higher productivity.

One of the most controversial sections of the pamphlet will be the suggestion that large companies will have to draw up and report their investment plans in greater detail and on a longer term basis than at present so that steps can be taken to retard or accelerate them according to economic needs. This policy has, of course, already been pursued with the nationalized industries and it is not surprising to read that renationalization of steel and road transport is envisaged.

Comparative Printing Trade Costs

THE British Federation of Master Printers is to inaugurate a 'management ratios scheme' similar to that operated by the furniture industry which was the subject of a Weekly Note in our issue of March 29th of this year. Each individual member firm wishing to participate will send confidential basic information on profits, expenses, assets and liabilities to the Federation Costing Committee and will receive in return standards of comparison and cost and accounting ratios, all compiled from the statistics submitted. The individual firm will then be able to ascertain whether its results are above or below the average and the causes of any deviations therefrom.

The ratios which the Federation proposes to work out are the profit (before tax) in relation to the present-day value of capital employed; the profit (before tax), capital and wages per employee; profit to sales; net sales to capital employed; fixed assets to total assets; the cost of material consumed to average stock; the average period of outstanding debts; the cost of production (both including and excluding materials and outwork) per productive employee; overhead expenses per £1 of productive wages; productive wages per productive employee; occupation expenses per square foot; cost of selling and transport per productive employee; net sales per £1 of selling and transport wages; and administration expenses both in relation to total cost and per employee.

It is suggested that the service may be used fully or in part only according to the needs of each participant. If, for example, it is ascertained by a firm that the ratios of its (*a*) profit to sales and to capital employed; and (*b*) profit, capital and wages per employee are average or better then further comparisons may not be required.

Detailed information regarding the scheme may be obtained from the Federation's headquarters at 11 Bedford Row, London, WC1.

Budget Day in Ceylon

IN Colombo on July 17th, Mr de Zoysa, the Finance Minister, announced major tax changes when he presented his Budget. He proposed new taxes on net wealth, personal consumption and expenditure and gifts, and the inclusion of capital gains in income for income tax purposes. The present dual taxation of companies will be replaced by a uniform 45 per cent tax on profits. Many items hitherto deductible for tax will be disallowed.

In the field of indirect taxation import duties on a range of luxury goods will be raised to a 'prohibitive' level. These goods include highly-priced cars, imitation jewelry, fruit products, and luxury foods including sweets, poultry, game and nuts. Duty on petrol will go up to the equivalent of 3*s* 10*d* a gallon and tobacco duties have been raised by 6*s* a pound.

It is proposed that companies distributing profits shall pay one-third on gross dividends and the tax, deducted from the dividends, would be set off against the shareholders' liabilities. Non-resident companies will pay the uniform 45 per cent, plus the existing 6 per cent in lieu of estate duty. These companies will be deemed to have distributed one-third of their profits in dividend and will account for tax accordingly. Capital gains tax will be levied on resident and non-resident companies in the same way as with individuals' income tax.

South African Budget

THE South African Finance Minister, Mr Naude, presented his Budget to Parliament on July 16th, and announced he had studiously avoided increasing income tax and other taxes which would damp private initiative and discourage saving. He proposed certain concessions aimed at stimulating saving and the inflow of foreign capital. The law would be amended to allow producing mines to deduct exploration and prospecting costs in new areas. In general bonus shares would no longer be subjected to supertax. Companies having all their shareholders resident outside the Union would no longer be assessed to company tax on profits made from the sale of shares or gold acquired in the Union with funds remitted from overseas.

On the other hand, taxes on motor-cars, petrol, tobacco, and spirits would be increased. The basic rate of £1 African taxation which had stood at that figure since 1925, would be increased by 15*s*.

Irish Schedule E Tax Arrears

IN the Republic of Ireland the Revenue Commissioners are tightening up on the collection of wage earners' tax arrears, according to a report in *The Irish Times* of July 15th, 1958. The P.A.Y.E.

system has not been adopted in the Republic but there is power under the Finance Act of 1923 to require employers to deduct tax arrears in monthly instalments from the remuneration of their employees, and this power is being more widely used – an estimated 39,000 cases in 1957–58, and probably many more now.

The methods of collection of income tax from employees is under study by the Income Tax Commission who have received representations from the trade unions to recommend the introduction of P.A.Y.E. This makes it easier for the employee but is naturally more expensive for the employer.

I.T.V. Stamp Duty Appeal

ON July 15th, Mr Justice Wynn-Parry gave judgment for the Crown in an appeal against an assessment of £11,431 stamp duty on an agreement for the provision of programmes to be broadcast under Section 2 of the Television Act, 1954 (*Independent Television Authority v. C.I.R.* (*The Times*, July 16th, 1958)). The appeal was said to be a test case for a number of agreements between I.T.A. and programme contractors.

The agreement, under seal and dated May 23rd, 1955, was to come into operation later that year and remain in force until July 29th, 1964. Associated Rediffusion was to pay I.T.A. a fee at the rate of £495,600 a year for two and a half years and at the rate of £536,900 thereafter. After March 1956 these figures were to be varied with fluctuations in the retail price index published by the Board of Trade. The Inland Revenue charged *ad valorem* duty on the aggregate stated amount on the ground that the agreement was a 'security' for this amount.

His lordship rejected the contention that an agreement for the provision of services did not fall within the word 'security' in the First Schedule to the Stamp Act, 1891; likewise the contention that as the contract was executory at the time of the agreement it could not be a security. The learned judge also rejected the contention that if the document was a security, it was chargeable only in respect of the fee payable for the period up to the end of March 1956, which would mean duty of about £500 only. He extracted the following proposition from the authorities: where it appeared on the face of the deed that there was a specified sum payable by one party to the other, then notwithstanding that it might be increased or reduced on the happening of a contingency, the stamp duty had to be calculated on the specified sum. The assessment of £11,431 was confirmed.

O.E.E.C. on Double Taxation

OVER the years since its establishment the Organization for European Economic Co-operation has adopted a number of measures proposed by its fiscal committee to eliminate double taxation between member countries. The fiscal committee was set up in March 1956 under the chairmanship of Dr A. J. van den Tempel, director for International Fiscal Affairs of the Netherlands Ministry of Finance. The first report of this committee is to be published shortly.

The preliminary series of four articles to be included in a series of bilateral conventions has been drawn up. They deal with the following questions: first, the listing and definition of taxes on income and capital and all taxes on estates and inheritances to be covered by a double taxation convention; the idea of 'permanent establishment'; the notion of 'fiscal domicile'; and tax discrimination on grounds of nationality or similar grounds. In each of these articles the fiscal committee has drawn up a detailed commentary and on the advice of the committee the council of O.E.E.C. has recommended member countries to adopt these articles when revising conventions already concluded between themselves or when bringing new conventions into existence.

The council has also instructed this committee to prepare new articles on a number of other taxation questions which it is studying, namely, the taxation of income of transport undertakings, taxation of earnings for personal services, income from immovable property, direct taxation of royalties, taxation of interest and dividends, taxation of capital and the definition and proportionment of profits between an undertaking and its subsidiaries.

Share Fraud Charges

ON July 15th at Bow Street Magistrates Court, four men were committed for trial at the Central Criminal Court on charges concerned with conspiring to cheat and defraud in connection with company shares. They were Arthur John Whitehead, 65, company director, of Abbey Lodge, Hanover Gate, Regent's Park, London, NW; Cecil Stanley Barnett, 53, financial journalist, of Kenton Road, Kenton, Harrow; Leonard Charles Cole, 54, stockbroker, of London Road, Wickford, Essex; and Eric James Lipkin, 38, journalist, of Church Road, Purley, Surrey. Also committed were Whitehead Industrial Trust Ltd and Boundia Securities Ltd. All six were charged with conspiring together and with Frank Hay Livingstone Mackinnon, 41, of Church Road, Great Bookham, Surrey, to defraud subscribers to circulars published by Boundia Securities Ltd by falsely pretending that the advice in the circulars was disinterested advice, given bona fide in the interest of and for the benefit of subscribers. The shares concerned were shares in Tati Goldfields Ltd and Sage Oil Company.

All the defendants pleaded not guilty and reserved their defence, bail being allowed. Mackinnon, who was ill, was remanded on bail until October 1st. The Chief Metropolitan Magistrate upheld a submission that there was no evidence against Edwin John Hill, 54, investment manager, of Fitzjames Avenue, London, W., to justify sending him to trial.

Finance and Commerce

Courtaulds

WE reprint this week the accounts of Courtaulds Ltd, for the year ended March 31st, 1958, incorporating for the first time the figures for British Celanese Ltd, which in 1957 was brought into the Courtaulds group by a share exchange offer. The British Celanese Ltd accounts are also available separately.

The advantages expected from the fusion were: economies in production and administrative costs; the adoption in the manufacturing units of both companies of the best features of their separately-developed techniques for all the various aspects of acetate manufacture; the opportunity to rationalize and reorganize the approach to selling, marketing and development, and to make the best use of the managerial and technical talent of both groups.

Within two months, the two organizations had come to know each other and the plans were made. By the end of the financial year the concept of two groups had disappeared; a new and tightly-knit group was functioning satisfactorily, and the expected benefits were already being felt.

Tax Changes

One important change in the Courtaulds accounts is a revision of the basis of the charge for taxation. For many years past, the amounts allowed for taxation purposes for wear and tear have, through initial allowances and for other reasons, considerably exceeded the charges in the company's accounts for depreciation on the corresponding assets; the difference represented a substantial deferment of tax liability.

In past years, the future liability for taxation arising thereby had been provided in full only in respect of the companies abroad; in the case of the United Kingdom companies, account had been taken of the future liabilities to tax arising from the operation of initial allowances alone.

This year, for the first time, full account has been taken of the future liability to tax arising throughout the group, including companies in the United Kingdom, through the excess of taxation allowances over depreciation charges.

The group profit and loss account this year shows 'Group balance from trading and investment income' of £13,918,699, against £15,162,074, from which is deducted 'Group charge for taxation' of

COURTAULDS, LIMITED, AND SUBSIDIARIES
GROUP BALANCE SHEET
31st MARCH 1958 (See Notes 1 and 2)*

	1958 £	1957 £
CAPITAL OF COURTAULDS, LIMITED:—		
Preference Stocks:—		
5 per cent. Cumulative First Preference Stock—Authorised and Issued	8,000,000	*8,000,000*
6 per cent. Cumulative Second Preference Stock redeemable at par on or after 31st March 1977—Authorised and Issued	9,512,500	
Ordinary Stock:—		
Authorised (£1 shares where unissued) £65,000,000 (*£50,000,000—1957*)		
Issued	53,337,730	*48,205,393*
	70,850,230	*56,205,393*
RESERVES:—		
Capital (see Notes 3(a) and 3(b)	57,332,327	*55,182,236*
Revenue (see Notes 3(c) and 3(d)	11,982,269	*12,052,968*
CAPITAL AND RESERVES RELATING TO THE INTERESTS OF THE MEMBERS OF COURTAULDS, LIMITED	140,164,826	*123,440,597*
FUTURE TAXATION:—		
U.K. Income Tax based on profits for the year	3,093,509	*3,746,893*
Amount set aside for Taxation Deferred by Accelerated Depreciation Allowances	16,732,771	*6,309,208*
J. HANBURY-WILLIAMS A. H. WILSON } *Directors*	£159,991,106	*£133,496,698*

	1958 £	1957 £
FIXED ASSETS (Schedule 1)	107,228,569	*88,099,243*
TRADE AND OTHER INVESTMENTS (Schedule 2)	8,294,077	*8,051,437*
GOVERNMENT SECURITIES (Schedule 3)	18,395,772	*12,432,249*
NET CURRENT ASSETS:—		
Stocks in Trade, Stores etc.	32,909,017	*27,691,056*
Debts, Amounts Recoverable and Payments in Advance	12,376,117	*11,595,332*
Tax Reserve Certificates	2,066,750	*1,415,100*
Treasury Bills	2,587,374	
Balances at Banks and Cash in Hand	4,073,253	*5,280,738*
Current Assets	54,012,511	*45,982,226*
Less: **Current Liabilities, Provisions and Dividends** (Schedule 4)	18,690,998	*14,883,953*
Net Current Assets	35,321,513	*31,098,273*
	169,239,931	*139,681,202*
Deduct: **Debenture Stocks and other Secured Loans of Subsidiaries** (Schedule 5)	4,858,224	*2,000,000*
	164,381,707	*137,681,202*
Deduct: **Interests of Minority Shareholders in Capital and Reserves of Subsidiaries**	4,390,601	*4,184,504*
NET TANGIBLE ASSETS AT BOOK VALUES	£159,991,106	*£133,496,698*

* Schedules to Balance Sheets are on page [111] and Notes on page [113].

COURTAULDS, LIMITED, AND SUBSIDIARIES

SCHEDULES TO BALANCE SHEETS—31st MARCH 1958

1. FIXED ASSETS.	Group 1958 £	Group 1957 £	Courtaulds, Limited 1958 £	Courtaulds, Limited 1957 £
Land and Buildings	41,640,541	32,153,031	20,974,076	20,147,841
Provisions for Depreciation	9,719,127	6,849,675	5,245,584	4,868,976
Balance	31,921,414	25,303,356	15,728,492	15,278,865
Plant, Machinery and Equipment ..	110,416,639	84,554,673	52,613,551	49,533,687
Provisions for Depreciation	36,701,575	23,303,120	17,531,669	15,807,137
Balance	73,715,064	61,251,553	35,081,882	33,726,550
Houses and Other Property	2,081,693	1,927,932	1,262,227	1,274,150
Provisions for Depreciation	489,602	383,598	372,246	351,937
Balance	1,592,091	1,544,334	889,981	922,213
Total Fixed Assets	154,138,873	118,635,636	74,849,854	70,955,678
Total Provisions for Depreciation ..	46,910,304	30,536,393	23,149,499	21,028,050
	£107,228,569	£88,099,243	£51,700,355	£49,927,628

Fixed Assets are stated as follows:—

(*a*) Courtaulds, Limited:—

At cost, or, if acquired before an independent valuation carried out in 1938/39, on the basis of replacement costs as new in 1938/39.

Assets transferred to Courtaulds, Limited from the British Celanese group are stated at cost to that group.

(*b*) Subsidiaries:

At cost to the Group except that assets of the British Celanese group are stated at their cost to that group or, as regards assets transferred to it by Courtaulds, Limited, on the basis on which the assets of Courtaulds, Limited are stated (see (*a*) above).

Provisions for depreciation are calculated as follows:—

(*a*) Courtaulds, Limited:—

From the dates of acquisition or, as regards assets transferred from the British Celanese group, from the dates of acquisition by that group.

(*b*) Subsidiaries:—

From the dates of acquisition of the shares therein except that the provisions of the British Celanese group are calculated from the dates of acquisition of assets by that group or, as regards those transferred to it by Courtaulds, Limited, from the dates of acquisition by the latter company.

The fixed assets of the British Celanese group acquired up to 31st March 1957 and included in the 1958 Group total of fixed assets at cost to the British Celanese group amount to	£27,345,000
The 1958 Group total of provisions for depreciation includes depreciation on these assets up to 31st March 1957 of	11,205,000
Net amount of fixed assets of the British Celanese group at 31st March 1957 included in 1958 Group balance sheet	£16,140,000

The Board of Trade, as empowered by the Companies Act, 1948, has modified the provisions of the Act in regard to the basis of stating fixed assets and the related depreciation.

SCHEDULES TO BALANCE SHEETS—31st MARCH 1958—*continued.*

	Group 1958 £	Group 1957 £	Courtaulds, Limited 1958 £	Courtaulds, Limited 1957 £
2. TRADE AND OTHER INVESTMENTS.				
Trade Investments at cost	11,848,167	11,669,599	11,301,402	11,274,377
Less: Amounts provided or written off	3,949,412	3,946,510	3,878,193	3,882,339
	7,898,755	7,723,089	7,423,209	7,392,038
Other (unquoted) Investments at cost	395,322	328,348	243,531	243,576
	£8,294,077	£8,051,437	£7,666,740	£7,635,614
3. GOVERNMENT SECURITIES: comprising Securities of United Kingdom and (in Group Balance Sheet) United States Governments.				
At or under cost	£18,395,772	£12,432,249	£13,298,704	£12,031,002
Value of these Securities at 31st March 1958 at Middle Market prices	£18,700,139	£12,827,021	£13,603,346	£12,426,037
4. CURRENT LIABILITIES, PROVISIONS AND DIVIDENDS.				
Trade and other accounts	8,660,729	8,250,583	3,607,704	4,470,615
Advance by an associated company ..	4,017,500		4,017,500	
Bank overdraft (secured) of Subsidiary abroad	13,893	829,123		
Provision for Taxation	2,100,310	1,954,101	1,577,555	1,705,253
Provision for Co-Partnership Benefit ..	256,021	289,232	256,021	289,232
Provision for Pensions	1,914,843	1,840,328	1,744,843	1,840,328
Dividends (less Tax) on Preference Stocks accrued to date	194,242	57,500	194,242	57,500
Final Dividend (less Tax) on Ordinary Stock proposed to be paid on 24th July 1958	1,533,460	1,663,086	1,533,460	1,663,086
..	£18,690,998	£14,883,953	£12,931,325	£10,026,014
5. DEBENTURE STOCKS AND OTHER SECURED LOANS OF SUBSIDIARIES.				
6 per cent. Debenture Stock repayable by 10 equal annual instalments commencing in the year 1960	2,000,000	2,000,000		
4 per cent. First Mortgage Debenture Stock redeemable not later than 31st December 1978 at 102½ per cent. ..	1,845,018			
3½ per cent. Second Mortgage Debenture Stock 1951/80 redeemable not later than 30th September 1980 at par	839,217			
Mortgage Loans	173,989			
	£4,858,224	£2,000,000		

£6,980,436, against £6,595,333. If full account had been taken in the previous year (1957) for the deferred liability to tax arising in that year, the taxation charge would have been increased by £566,217, making £7,161,550 in all. Reserves have been adjusted to take account of the change in basis for past years. Furthermore, there has been a considerable rearrangement of the reserves this time.

Details Alongside

A POINT well worth mentioning in the accounts of Samuel Williams & Sons Ltd is given in the first paragraph of the chairman's review. 'You will observe from the accounts', says Mr A. L. Williams, 'that they are presented in a different manner from those submitted previously. The simpler tabulated form, confining each account to a single page on the left-hand side, with explanatory details suitably cross-referenced on the right, will, we feel, enable our stockholders to obtain a ready understanding of the year's trading experience, and also form an assessment of the financial position of the group.'

On the left, the main figures; on the right, the detail and explanations. This is a great improvement in the method of presenting the accounts – parent, consolidation, profit and loss – and then, some pages later, the detail, the schedules and the explanations.

It is so easy in many instances, with page after page of accounts and schedules, to lose the place.

Full of Photos

THE last item in the annual report of Simms Motor & Electronics Corporation Ltd, is an announcement that the booklet was designed and published by the publicity department of Simms Motor Units Ltd, which is one of the principal operating companies. The publishers acknowledge the use of photographs from twenty-two companies and publications.

This gives some idea of the extent

COURTAULDS, LIMITED, AND SUBSIDIARIES

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st MARCH 1958 (See Notes 1 and 2)*

	1958 £	*1957* *£*
GROUP BALANCE from Trading and Investment Income, after taking into account the amounts of Income, Expenditure and Charges set out in Schedule 1 opposite, but before charging Taxation	13,918,669	*15,162,074*
Deduct: Group Charge for Taxation as set out in Schedule 2 opposite ..	6,980,436	*6,595,333*
GROUP BALANCE from Trading etc., after Taxation	6,938,233	*8,566,741*
Deduct: Interests of Minority Shareholders therein	667,189	*431,035*
COURTAULDS, LIMITED, INTEREST IN GROUP BALANCE	6,271,044	*8,135,706*
Deduct: Amounts retained by Subsidiaries	1,960,301	*1,889,266*
COURTAULDS, LIMITED, BALANCE OF PROFIT FOR THE YEAR	4,310,743	*6,246,440*
Add: Balance of profit brought forward	1,105,518	*1,110,888*
	£5,416,261	*£7,357,328*
Deduct: **Transfer to Capital General Reserve**	1,300,000	*3,250,000*
Dividends (less tax) (see Directors' Report)	2,984,368	*3,001,810*
	£4,284,368	*£6,251,810*
COURTAULDS, LIMITED, BALANCE carried forward ..	1,131,893	*1,105,518*
SUBSIDIARIES:		
Balance of profit brought forward	732,513	*610,192*
Amount of profit for the year retained	1,960,301	*1,889,266*
Transfer from (*to in 1957*) Revenue General Reserve	557,043	*311,025*
	3,249,857	*2,188,433*
Less: Transfer to Capital General Reserve	2,057,375	*1,455,920*
SUBSIDIARIES BALANCE carried forward	1,192,482	*732,513*
GROUP BALANCE carried forward	£2,324,375	*£1,838,031*

*Schedules to Profit and Loss Account are on page [112] and Notes on page [113].

SCHEDULES TO GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st MARCH 1958

SCHEDULE 1

(being items already taken into account in arriving at the figures first stated in the Group Profit and Loss Account)

	1958 £	*1957* *£*
INVESTMENT INCOME:		
Trade Investments	1,957,146	*1,760,548*
Government Securities and Interest from other sources ..	738,471	*618,169*
EXPENDITURE AND CHARGES:		
Provisions for Depreciation	5,931,989	*4,472,004*
Interest on Debenture Stocks and other Secured Loans ..	234,550	*120,000*
Remuneration from all sources of the Directors of Courtaulds, Limited for services to Courtaulds, Limited and Subsidiary and Associated Companies:		
Fees	12,500	*12,500*
Other Emoluments	170,218	*165,476*
Directors' and past Directors' pensions arising from executive appointments, excluding £38,911 (*nil in 1957*) for commutation of pensions charged against Provision for Pensions	34,191	*22,765*
Auditors' Fees and Expenses	40,520	*34,104*

SCHEDULE 2

	1958 £	*1957* *£*
GROUP CHARGE FOR TAXATION:		
United Kingdom Taxation (after benefit of £109,000 from Investment Allowances, *£430,000 in 1957*):		
Profits Tax	1,426,890	*1,579,034*
Income Tax based on profit for the year	4,275,450	*4,673,108*
Taxation Abroad (*Recovery in 1957*)	87,645	*177,694**
	5,789,985	*6,074,448*
Add: **Amount set aside for Taxation Deferred by Accelerated Depreciation Allowances** .. .. (In 1957 the amount set aside under this heading in respect of U.K. companies was limited to the requirements relating to initial allowances; if the more comprehensive basis adopted in 1958 had been applied in 1957 the charge for that year would have been increased by £566,217 making a total charge of £1,087,102.) ..	1,190,451	*520,885*
	£6,980,436	*£6,595,333*

*Credit

to which the accounts have been surrounded by pictures and descriptions of the group's products. The Simms publication is a remarkable piece of publicity, and the accounts, it may be added, have been set out and printed in a manner which makes them a pleasure to read.

Trussed Concrete

In our issue of July 12th, we noted that a qualification by the auditors of The Trussed Concrete Steel Co Ltd had been allowed to pass without comment in the chairman's statement accompanying the report and accounts. To bring the matter up to date, we quote from a recent report by 'Lex' in *The Financial Times:*

> 'At yesterday's meeting of Truscon, formerly Trussed Concrete Steel, Sir Halford Reddish was able to give the welcome news that the Scottish Construction Co, in which Truscon has a 49 per cent interest, made a good recovery in 1957 and that the advances which stood at £110,000 at end 1956 have now been fully repaid. It was evident from the accounts that this state must be fairly near, but the completion of the repayment will nevertheless give satisfaction to the Truscon shareholders.
>
> 'What is really necessary, however, is some estimate of what the investment is now worth – the auditors noted in their recent report that its book value of £253,283 is still "in our view in excess of its present value".
>
> 'Though it is merely a trade investment, the circumstances, in which it was until recently a subsidiary, would probably still justify Sir Halford in also publishing details of Scottish Construction's precise profit and asset position.'

Next Week's Reprint

The accounts of E.R.F. (Holdings) Ltd will provide the reprint in next week's issue.

COURTAULDS, LIMITED, AND SUBSIDIARIES

NOTES ON ACCOUNTS—31st MARCH 1958

1. THE BRITISH CELANESE GROUP was acquired by Courtaulds, Limited, with effect from 1st April 1957; the relative figures are included in the 1958 Accounts only.

2. PERIOD OF ACCOUNT and BALANCE SHEET DATES: The period of account referred to herein as "the year" is the year ended 31st March 1958 with the exception of nineteen subsidiaries of which the accounts cover the year ended 31st December 1957.

The Balance Sheet of Courtaulds, Limited and those of all its subsidiaries except the nineteen subsidiaries referred to immediately above are made up as at 31st March 1958. The Balance Sheets of those subsidiaries, all of them abroad, are made up as at 31st December 1957 for administrative reasons.

3. RESERVES AND MOVEMENTS THEREIN:

(*decreases in italics*)

	Group £	Courtaulds, Limited £	Subsidiaries £
Capital Reserves:—			
(*a*) Share Premium Account As at 31st March 1957	216,220	216,220	
Amounts arising during year on issues of Ordinary Shares to:—			
(i) Ordinary stockholders of British Celanese Limited in exchange for their holdings	3,759,267	3,759,267	
(ii) Co-Partners	89,986	89,986	
Expenses of issue written off	54,777*	54,777*	
As at 31st March 1958	4,010,696	4,010,696	
(*b*) Capital General Reserve As at 31st March 1957	30,777,879	26,167,005	4,610,874
Balances of the following capital reserves as at 31st March 1957 transferred to this account:—			
Reserve towards increased cost of replacement of fixed assets	14,135,152	5,998,000	8,137,152
Reserve for obsolescence	6,487,985	6,487,985	
Reserve against increased cost of replacement of raw materials and other stocks	3,400,000	3,400,000	
Reserve against Government Securities	165,000	165,000	
	54,966,016	42,217,990	12,748,026
Surplus arising on acquisition of capital stock of British Celanese Limited representing the excess of the amount attributed to the net tangible assets of that group over the cost of the investment	2,723,978		2,723,978
Surplus on sales of Government Securities	254,597	254,597	
Sundry Credits	77,118	4,124	72,994
Intangible assets written off	242,306*		242,306*
Release of provisions against investments in subsidiaries	242,306	242,306	
Exchange difference (see Note 4)	124,185*		124,185*
Expenses of merger with British Celanese Limited (the corresponding charge in the accounts of British Celanese Limited of £24,927 was made against pre-acquisition reserves)	32,663*	32,663*	
Amounts set aside for taxation deferred by accelerated depreciation allowances in respect of:—			
(i) the balance of requirements as at 31st March 1957	6,047,391*	5,890,000*	157,391*
(ii) the revision required at 31st March 1958 to give effect to the changed rate of profits tax operative from 1st April 1958	1,317,226*	1,081,000*	236,226*
Provision for loss on sale of investment in subsidiary	535,988*	465,760*	70,228*
Transfer from profit and loss account	3,357,375	1,300,000	2,057,375
As at 31st March 1958	53,321,631	36,549,594	16,772,037
Total Capital Reserves as at 31st March 1958	£57,332,327	£40,560,290	£16,772,037
Revenue Reserves:—			
(c) Revenue General Reserve As at 31st March 1957	10,214,937	7,817,131	2,397,806
Transfer to Profit and Loss Account	557,043*		557,043*
As at 31st March 1958	9,657,894	7,817,131	1,840,763
(d) Profit and Loss Account	2,324,375	1,131,893	1,192,482
Total Revenue Reserves as at 31st March 1958	£11,982,269	£8,949,024	£3,033,245

4. FOREIGN CURRENCIES: Fixed assets and investments have been converted into sterling at the rates ruling at the dates of acquisition and current assets, liabilities and future taxation have been converted into sterling at the rates at which the currencies could have been sold at 31st March 1958. The difference on exchange (£124,185 loss) arising in the year has been charged to Capital General Reserve; in the previous year this difference (£165,492 surplus) was credited in the Profit and Loss Account.

5. CONTRACTS FOR CAPITAL EXPENDITURE: Commitments outstanding on Capital Account at Balance Sheet dates in respect of uncompleted contracts at those dates in so far as they are not included in the current liabilities in the Balance Sheets amounted to approximately £4,700,000 (*£55,050,000 for 1957*) for the Group and to approximately £2,500,000 (*£2,850,000 for 1957*) for Courtaulds, Limited. There were also commitments of Courtaulds, Limited to its subsidiaries for provision of further finance up to £2,550,000 (*£2,750,000 for 1957*).

CITY NOTES

THE City's focal point is still the Middle East. Developments from that storm centre find immediate reflection in stock-markets, and indeed in the wider sphere of metal and commodity markets and foreign exchanges. Although in the past few days the Stock Exchange, for its part, has been looking a little calmer, a few lines of news on the 'House' tapes can still send prices downwards in a matter of minutes.

Conditions in markets will not achieve any lasting improvement until there can be a genuine return of buyers. They, for their part, await clarification of the political situation and adopt the rôle in which they have already had far too much practice – that of awaiting events.

Current conditions have already caused some second thoughts on the part of intending home corporation borrowers. Recently Manchester abandoned its proposal of raising a new loan and prefers to obtain the necessary finance from private mortgages. Now Leeds is following suit. These municipalities, which had hoped for a further lowering of interest rates as a result of official credit expansion, see little chance of any development of that policy under present conditions of uncertainty.

The position is all the more regrettable because the stage had seemed set for expanding trading, fostered by a broadening credit policy. The best that can be said of the outlook is that those conditions making for economic optimism earlier this month are still there, but their effect is nullified by the political outlook. Any improvement in the general situation, however, would see them rapidly reasserting themselves.

RATES AND PRICES

Closing prices, Wednesday, July 23rd, 1958

Bank Rate

Jan. 27, 1955	3½%	Sept. 19, 1957	7%
Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%

Treasury Bills

May 16	£5 3*s* 11·49*d*%	June 20	£4 5*s* 9·63*d*%
May 23	£4 16*s* 5·96*d*%	June 27	£4 5*s* 10·67*d*%
May 30	£4 16*s* 3·84*d*%	July 4	£4 3*s* 5·23*d*%
June 6	£4 14*s* 5·72*d*%	July 11	£4 0*s* 3·79*d*%
June 13	£4 10*s* 1·77*d*%	July 18	£4 4*s* 11·39*d*%

Money Rates

Day to day	3¼–4⅛%	*Bank Bills*	
7 days	3¾–4%	2 months	4⅜–4 7/16%
Fine Trade Bills		3 months	4⅜–4 7/16%
3 months	5–5¾%	4 months	4⅜–4 7/16%
4 months	5–5¾%	6 months	4⅜–4½%
6 months	5¼–6%		

Foreign Exchanges

New York	2·80 5/16–7/16	Frankfurt	11·67⅜–½
Montreal	2·68 15/16–69 1/16	Milan	1736¼–7¼
Amsterdam	10·56⅛–⅜	Oslo	19·98⅞–·99
Brussels	139·05–.10	Paris	1173⅞–4⅛
Copenhagen	19·33¼–½	Zurich	12·19 –¼

Gilt-edged

Consols 2½%	50¼	Funding 4% 60–90	86 13/16
Consols 4%	73 7/16	Savings 2½% 64–67	81 3/16
War Loan 3½%	66⅛	Savings 3% 55–65	89
Conversion 3½%	66⅛	Savings 3% 60–70	78¼
Conversion 3½% 1969	86	Savings 3% 65–75	71⅞
Exchequer 5½% 1966	102¼	Treasury 2½%	49⅜
Funding 3% 66–68	81¼	Treasury 3½% 77–80	75⅜
Funding 3% 59–69	80¾	Treas'ry 3½% 79–81	74⅜
Funding 3½% 99–04	71⅛	Victory 4%	93⅛

Reviews

Overseas Trade Corporations

by DAVID R. STANFORD, M.A., LL.B., Barrister-at-Law. (Sweet & Maxwell Ltd, London. 35*s* net.)

The author of this new book devotes 208 pages to expounding not only the complicated provisions of Part IV of the Finance Act, 1957, but also some other matters, such as residence and double taxation, although these are treated very briefly. This is perhaps the lengthiest exposition of Part IV which has yet appeared but its approach is legalistic rather than practical. There are no examples and unhappily the English is not of the clearest.

The author has evidently made a very close study of Part IV itself but he is much less at home with more humdrum matters such as the basis of assessment and the various provisions for loss relief. To an accountant who is not in any danger of being misled in this connection, the book is certainly of value in bringing out some of the more obscure implications of the new law. Ministerial pronouncements made during the passage of the 1957 Finance Bill through the House of Commons are duly noted, and are useful in showing, at any rate, what the draftsman of the Bill no doubt hopes it means.

Williams' Law and Practice in Bankruptcy

Seventeenth Edition by MUIR HUNTER, B.A., Barrister-at-Law. (Stevens & Sons Ltd, London. £6 6*s* net.)

The appearance of a new *Williams* is a great event in bankruptcy law; it is nearly ten years since the last edition appeared, an edition in which the present editor also had a hand. Although there has been little legislative change in that period, there have been a number of important decisions. The book deals with these, not merely the ones which have been reported, but also some unreported ones which the editor considers worthy of record. He has reduced the bulk of the text as far as possible, by eliminating or abridging 'unnecessary historical excursus' but has preserved intact 'that indispensable historical skeleton without which the law of bankruptcy cannot easily be comprehended'.

Despite this pruning the new edition covers more than a thousand pages. It consists in the main of a section-by-section commentary on the Bankruptcy Act, 1914, and the Bankruptcy Rules, the relevant legislation being reproduced in full. This is probably the most convenient way of dealing with such an involved subject. In appendices there are over a hundred pages of forms, as well as scales of solicitors' charges and bankruptcy fees. The Debtors' Act, 1869, the Deeds of Arrangement Act, 1914, and the Deeds of Arrangement Rules are also reproduced with annotations. It would be a bold man who would take it upon himself to advise on a bankruptcy matter without being armed with this book; for a trustee in bankruptcy it is practically indispensable.

Hanson's Death Duties

Tenth Edition, Second Cumulative Supplement by Henry E. Smith, LL.B., assisted by P. H. Fletcher, LL.B. (Sweet & Maxwell Ltd, London. 10*s* 6*d* net.)

This supplement brings the main work up to January 1st, 1958, and it covers ninety-four pages, of which twenty are additional text and the remainder are devoted to new legislation and exposition thereof. As the previous supplement (up to December 1st, 1956) covered only thirty-seven pages in all, it will be realized how much new matter is now contained in the current supplement. Pride of place goes to Section 38 of the Finance Act, 1957, dealing with *inter vivos* gifts and terminated life interests and hampering the 'disappearing trick' formerly practised in relation to these subjects. The supplement also brings to light an arithmetical error in an example in the main volume. For anyone who already possesses the main volume, the new supplement is essential.

The £ s d of Retirement

by Cecil Chisholm. (Phoenix House Ltd. London. 12*s* 6*d*.)

Now in his second retirement at 70, Mr Chisholm is an authority on his subject. In a previous book, he discussed with practical charm the psychological aspects of ceasing regular work. Now he concentrates on the financial problems which, in most instances, have to be overcome. First, he deals with saving and making money – chapters which should be read by the middle-aged well in advance of retirement – and, secondly, he considers how most advantageously the income available may be spent. Some specimen budgets are appended.

The enemy against which Mr Chisholm tilts his enthusiastic lance is inflation. His suggestions are sound and, if properly studied, may save many readers from echoing sadly in their old age the Chekhov sentiment which appears on the title page – 'If only one had two lives, the first the rough draft, the second the fair copy'.

Running a Builder's Business

by Edwin Down, F.C.I.S. (The Illustrated Carpenter and Builder, London. 3*s* net.)

Have you been paying a man and a lorry to run round with a gallon of paint? This is one of the pertinent questions put to the readers of this booklet and it sums up its cautionary philosophy which is that proper planning, supervision and control in the building trade, where a loss on one contract may cancel out the accumulated profit of three or four others, can mean the difference between solvency and bankruptcy. This, in essence, is true of any trade but the apparent reluctance either to begin or to finish a job, the slackness on the part of principals in seeing that their employees do an honest day's work, the appalling waste of material through sheer clumsiness and the litter which even the best of workmen contrive to leave behind them, make the building industry – or, at least, the smaller businesses in it – singularly vulnerable to criticism. Any attempts to tidy it up, such as this forthright little manual, are therefore to be encouraged.

'Taxation' Key to Income Tax and Surtax

Forty-fifth Edition, Budget, 1958. Edited by Percy F. Hughes. (Taxation Publishing Co Ltd, London. 10*s* net; by post 10*s* 6*d*.)

It is sad to see no more the familiar name of Ronald Staples on this well-known publication, but the new editor has been closely concerned with it for many years and there has certainly been no falling off in quality. The familiar and highly individual mode of presenting the law concisely has been retained, including the useful table of rates and allowances for the current year.

RECENT PUBLICATIONS

British Public Finance and Administration 1774–92, by J. E. D. Binney, D.PHIL. xii+320 pp. 9×6. 45*s* net. Oxford University Press, London.

The Accounts of Limited Company Customers, by L. C. Mather, B.COM.(LOND.), F.C.I.S., F.I.B. vi+99 pp. 9½×7. 12*s* 6*d* net. Waterlow & Sons Ltd, London.

Productivity and Economic Incentives, by J. P. Davison, P. Sargant Florence, Barbara Gray and N. S. Ross. 306 pp. 9×6. 35*s* net. George Allen & Unwin Ltd, London.

Spicer and Pegler's Practical Auditing, twelfth edition, by Walter W. Bigg, F.C.A. xxi+514 pp. 9×6. 27*s* 6*d* net. H.F.L. (Publishers) Ltd, London.

The Management Counsellor Speaks to You, by A. Godfrey Cruft, F.C.I.S., F.B.I.M. xvi+160 pp. 9×6. 15*s* net. W. & R. Chambers Ltd, London and Edinburgh.

Office Administration, by Geoffrey Mills, A.C.I.S., M.B.I.M., F.O.M.A., and Oliver Standingford, F.B.I.M., F.O.M.A. xii+249 pp. 9×6. 25*s* net. Sir Isaac Pitman & Sons Ltd, London.

The Ministry of Pensions and National Insurance, by Sir Geoffrey S. King, K.C.B., K.B.E., M.C. 162 pp. 9×6. 18*s* net. George Allen & Unwin Ltd, London.

The French Law of Wills, Probate, Administration and Death Duties, of the Estates of English Decedents Leaving Property in France, fourth edition, by Pierre Pellerin and Jean Pellerin. 68 pp. 7½×5½. 7*s* 6*d* net. Stevens & Sons Ltd, London.

MODERN BANKING, fourth edition, by R. S. Sayers. xi+330 pp. 9×6. 21*s* net (U.K. only). Oxford University Press, London.

RECORDS AND ACCOUNTS FOR FARM MANAGEMENT, by A. G. Jeffrey, B.COM. iv+75 pp. 10×6. 4*s* 6*d* net. Bulletin No. 176, Ministry of Agriculture, Fisheries and Food. H.M.S.O.

THE FARM AS A BUSINESS: A Handbook of Standards and Statistics for use in Farm Management Advisory Work. Second edition. iv+197 pp. 8½×6½. 7*s* net. Ministry of Agriculture, Fisheries and Food. H.M.S.O.

INDUSTRIAL LAW, fifth edition, by H. Samuels, M.A. xix+204 pp. 9×6. 21*s* net. Sir Isaac Pitman & Sons Ltd, London.

STAPLES ON BACK DUTY, seventh edition, by Percy F. Hughes. 192 pp. 9×6. 27*s* 6*d* net, by post 28*s* 6*d*. Gee & Co (Publishers) Ltd, London.

INFLATION AND COMPANY FINANCE, by Russell Mathews and John McB. Grant. xii+179 pp. 9×6. 42*s* net. The Law Book Co of Australasia Pty. Ltd. Sweet & Maxwell Ltd, London.

OWNERSHIP AND CONTROL OF AUSTRALIAN COMPANIES, by E. L. Wheelwright, D.F.C., M.A. xii+206 pp. 10×6. 42*s* net. The Law Book Co of Australasia Pty. Ltd. Sweet & Maxwell Ltd, London.

JORDAN'S INCOME TAX GUIDE, 1958–1959. Twenty-eighth edition, compiled by Charles W. Chivers. 52 pp. 7½×5. 2*s* 6*d* net. Jordan & Sons Ltd, London.

DEUTSCH-ENGLISCHES GLOSSARIUM FINANZIELLER UND WIRTSCHAFTLICHER FACHAUSDRÜKE: German-English Glossary of Financial and Economic Terms. Third edition, by C. A. Gunston and C. M. Corner. 814 pp. 7½×5. 68*s* net. Fritz Knapp Verlag, Frankfurt-am-Main; Patria Translations Ltd, London.

THE COMPANY DIRECTOR: His Functions, Powers and Duties. Third edition, by Alfred Read, C.B.E., F.C.I.S., F.INST.D. xxiv+208 pp. 9×6. 25*s* net. Jordan & Sons Ltd, London.

SCANNING THE PROVINCES, third edition, 1958. iv+20 pp. Marketing Information for seventy towns and districts, compiled and published by Northcliffe Newspapers Group Ltd, London.

WORK STUDY IN THE WEST, An inquiry into the work of the Department of Work Study and Staff Training of the Engineering and Allied Employers' West of England Association. 30 pp. 8½×5½. 5*s* net. British Productivity Council, London.

ECONOMIC CONDITIONS IN TURKEY, 1957. 11 pp. 9½×6. 2*s* net. The Organization for European Economic Co-operation, Paris. H.M.S.O., London.

TRUSTEE SAVINGS BANKS YEAR BOOK, 1958, Official Handbook of the Trustee Savings Banks Association. 173 pp. 9×6. Wyman & Sons Ltd, Fakenham, Norfolk.

THE DESIGN OF DEVELOPMENT, by Jan Tinbergen. viii+99 pp. 8½×5½. $2.50. The John Hopkins Press, Baltimore, Maryland.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Too Tall a 'Top Hat'

SIR, – In commenting on the *Dracup* case in your issue of June 28th, Mr Cyril A. Williams states:

> 'Hitherto, approval under Section 388 has carried with it the implication that the premium paid by the employing company will, in due course, be allowed under Section 137. The present decision makes it clear that the allowance under Section 137 is a matter which the Revenue can successfully resist notwithstanding the approval under Section 388. The extent of such resistance will depend upon the attitude of H.M. General Commissioners.
>
> 'How far this will affect the future of "top hat" schemes remains to be seen, but the net result can scarcely be a favourable one.'

I venture to suggest that approval under Section 388 which exempts the premiums from tax as income of the beneficiary of the pension arrangement is quite distinct from allowance of the premiums as a trading expense under Section 137. I have known a number of cases where approval was secured under Section 388 but the premium was nevertheless disallowed as a trading expense under Section 137.

The Revenue presumably takes the view that a premium paid to provide a pension for the ordinary working director or employee is allowable as a trading expense because the employer may be considered to be under a moral obligation to provide a pension for his employees, which he desires to fund by paying premiums towards a policy of assurance. Secondly, the provision of pensions is desirable in order to recruit and retain a suitable class of employee, and thirdly, the absence of worry as regards the employee's financial resources after retirement makes for a contented and efficient staff and so creates goodwill between the employees and the employer.

It is obvious that these same considerations are not present if the pension arrangement is made for a person who is virtually in control of the company. If the financial interests of such person are bound up with those of the company, it is unlikely that he would leave the company to seek employment elsewhere, and it would appear unnecessary to provide him with a pension in order to cement good relations between him and the company. Furthermore, if he and his family are virtually in control of the company they can influence his remuneration and so the amount of his pension. As Mr Justice Harman said 'you (the directors) were laying out this money to your own advantage'.

There is no reason whatever to suppose that the judgment in the *Dracup* case will have the slig[illegible]st effect on the approval of premiums under Section 137 as a trading expense in the case of an ordinary working director or employee who is 'at arm's length' from the employing company.

Yours faithfully,

London, SW3. E. WALKER.

Ended or Ending?

SIR, – I would like to join issue with Mr Longdon-Griffiths over his letter in *The Accountant* of July 19th.

There is no reason whatever for the word 'ended' in the heading of trading and profit and loss accounts to be preceded by 'which'. In this case the word is used as a past participle, not as the past perfect tense, and is quite legitimately used without being preceded by any pronoun.

I cannot agree that 'ending' in this context is by any means 'perfectly satisfactory'. The present participle is used to indicate current or future events, and the past participle to indicate that the event referred to is in the past, and Mr Longdon-Griffiths surely does not suggest that it is possible to prepare an account for a period which is not yet completed?

Yours faithfully,

London, WC1. GEORGE LITTLECHILD.

SIR, – I was interested to read Mr Longdon-Griffiths' letter in your issue of July 19th, concerning the use of the words 'ended' or 'ending' in the heading of trading and profit and loss accounts, as I share his opinion that 'ended' is not grammatically correct.

The use of 'ended' also gives rise to some difficulty when statements are prepared in advance of the period to which they refer, e.g. profits forecasts and budgets. Exponents of 'ended' for historical accounts presumably have to use some other formula when producing budgets in respect of a future period; thus the heading varies according to the relative date of the preparation of the document. How much simpler to use 'ending' which permits a consistent heading and, moreover is always correct English.

Yours faithfully,

Cambridge. E. K. JEFFREY (Miss).

Sales Requirements

SIR, – In his article (July 5th issue), Mr M. C. Ashworth states:

> 'Clearly by manufacturing and selling one more of an article, the fixed overhead charges of the company are unaltered and so the profit will increase by the difference between the selling price and direct (or variable) costs of producing the article.'

Mr Ashworth does not tell us whether he is discussing average fixed costs and average variable costs on the one hand or total fixed costs and total variable costs on the other hand. If he means average, then average fixed costs must decline with increased output; if he means total, then he is asking us to calculate the difference between price per unit on the one hand and total variable costs on the other hand.

Mr Ashworth then proceeds to describe a downward sloping total variable cost curve with two humps. A variable cost is only a constant average cost per unit output which in his first diagram could be shown by a straight line drawn vertical to his selling price axis and which in his second diagram ought to be shown as an upward rising straight line passing through the intersection of the two axes.

The question of recovery is only likely to arise if the costs cease to be variable and become fixed. The selling price which yields the maximum profit will be that equivalent to the maximum vertical distance between his revenue curve and my total variable cost upward rising straight line.

Yours faithfully,

Parkgate, Cheshire. P. L. GRIFFITHS.

Savings Bank Interest

SIR, – We would like to comment on the nation-wide publicity campaign being undertaken by the Post Office Savings Bank, stressing that interest up to £15 per person is free of tax. No mention is made, however, of the continued necessity to include such interest, irrespective of amount, on one's income tax return.

The majority of clients interviewed in connection with current income tax returns are under the mistaken opinion that there is no need to show interest if less than £15 – no doubt encouraged by the aforesaid publicity.

Cannot one Government department prevail upon another to include this important detail, or are we to be burdened with a further crop of back duty cases in the years to come?

Yours faithfully,

London, W1. NEWMAN, YOUNG & CO.

Cost or Market?

SIR, – The Companies Act in Canada requires the balance sheet of a company to reveal the basis of valuation of the inventory or stock-in-trade. Some companies, of course, follow the letter rather than the spirit of the Act by the use of vague statements such as 'at not higher than cost', but a large majority use 'at the lower of cost or market'. The method is open to the gravest objections; the lapse in English is inexcusable. Only on a university examination paper have I seen 'at the lower of cost *and* market'. Looking for support in a struggle against illiteracy, I am appalled to find that the official professional bodies of Canada, England and U.S.A. have all been guilty of 'at the lower of cost or market'. The majority of textbooks in all three countries refer, unexceptionally, to 'at cost or market, whichever is the lower', but some have recently fallen into error.

Yours faithfully,

Toronto. C. A. ASHLEY.

Goodwill: Country Bus Service

SIR, – We have been consulted in connection with the proposed purchase of a business operating a bus service.

One of the important questions to be considered is the value of goodwill which arises through the permission granted to the company to operate on certain routes. We would point out that the routes in question are chiefly local ones from surrounding villages into the neighbouring towns and long distances do not arise.

We should be glad to know if any of your readers have had any experience in dealing with such valuations and, if so, the basis upon which they have been computed.

Yours faithfully,
GLANFORD.

Taxation Cases

A full report of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Franks *v.* Venn

In the Court of Appeal – June 19th, 1958
(Before Lord Justice JENKINS, Lord Justice SELLERS and Lord Justice PEARCE)

Income tax – Assessment – Meeting of Additional Commissioners – Absence of clerk – Whether meeting properly constituted – Income Tax Act, 1952, Sections 1, 7, 12, 36, Schedule I.

The respondent was assessed under Schedule D by assessments signed by an Additional Commissioner but without the clerk to the General Commissioners being present. The General Commissioners decided that the absence of the clerk prevented the holding of a validly constituted meeting and so invalidated the assessments.

Held (affirming the judgment of Mr Justice Vaisey), that the presence of the clerk when assessments are signed by an Additional Commissioner is not essential to constitute a valid meeting for that purpose.

Lamport & Holt Line Ltd *v.* Langwell

In the Court of Appeal – June 20th, 1958
(Before Lord Justice JENKINS, Lord Justice SELLERS and Lord Justice PEARCE)

Income tax – Sale of shares – Part of consideration represented by half of commission – Whether consideration money or trading receipt.

The appellant made an agreement with William Cory & Son Ltd (Cory) for the sale to the latter of 75,000 shares in another company. The agreement of Cory to buy the shares was expressed to be 'on the terms and for the consideration hereinafter appearing'. The consideration was set out in a number of clauses: clause (*a*) provided for a payment of 2*s* 6*d* a share in cash; clause (*b*) contained a certain undertaking; clause (*c*) read as follows:

> 'The payment by the purchasers to the vendors of such additional sum as shall represent one-half of any commission they receive from the oil companies . . . in respect of supplies of fuel oil . . . from April 1st, 1935, until such time as payment accruing under this clause together with the payments provided under clauses (*a*) and (*d*) equal the par value of the said shares;'

clause (*d*) provided for the payment of an additional 3*d* a share in full satisfaction of commission in respect of supplies of fuel oil down to the date of the agreement.

Held (affirming the judgment of Mr Justice Vaisey), the sums received by the appellant pursuant to clause (*c*) were sums in respect of commission, and were assessable to tax.

Sabine *v.* Lookers Ltd

In the Court of Appeal – June 16th, 1958
(Before Lord Justice JENKINS, Lord Justice PARKER and Lord Justice PEARCE)

Income tax – Motor distributor – Alteration of agreement with manufacturer – Sum as compensation therefor – Whether income or capital – Income Tax Act, 1952, Section 137 (f).

The respondent was the chief distributor of Austin vehicles in the Manchester area, and virtually the whole of its business consisted of selling Austin products. For every period from August 1st to July 31st there was an agreement between the two companies regulating their trading relationship which contained a continuity clause providing for the renewal of the agreement if the respondent was carrying out its obligations to the satisfaction of Austins, and in fact the agreement had been renewed for many years.

On July 30th, 1953, after it had entered a group headed by British Motor Corporation Ltd, Austins wrote to the respondent stating that a new standard form of distributors' agreement would be adopted containing certain alterations. One of the alterations was in the continuity clause, and another varied the territories allocated to distributors. In compensation for any loss resulting from these changes a sum was to be paid to distributors who were appointed for the period from August 1st, 1953, to July 31st, 1954. The sum received by the appellant was £7,038, half of which was paid in the period just mentioned.

The Inland Revenue included £3,519 as a trading receipt in the respondent's Case I assessment. The respondent contended that the sum was a capital item. The Special Commissioners decided in the respondent's favour.

Held (affirming the judgment of Mr Justice Vaisey), that the sum in question was a capital receipt.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of May 1958 Examinations

Notices to candidates who sat for the examinations of the Institute and of the Society last May were posted on Friday, July 25th. Full lists of successful candidates will be displayed at the Institute from 12 noon on Tuesday next, July 29th, and will be published in these columns next week.

CONGRESS PROCEEDINGS

The Record of Proceedings of the Seventh International Congress of Accountants held in Amsterdam from September 9th–13th last year, has now been published.

The Record is in three parts – Part One deals generally with the social events; Part Two contains the papers submitted at the various business sessions, together with a report of the subsequent discussions, and Part Three contains lists of the professional bodies represented at the Congress and the participating members. The volume is extremely well produced and is illustrated with numerous photographs.

Copies are available from the Secretary of the Seventh International Congress of Accountants, 1957, Herengracht 491, Amsterdam, at a price of Dfl.25.

1962 Congress

Mr J. Kraayenhof, President of the Seventh Congress, has accepted the offer of The American Institute of Certified Public Accountants to act as host to the next international congress.

The Eighth Congress, which will coincide with the seventy-fifth anniversary of the American Institute, will meet at the *Waldorf-Astoria*, New York City, [illegible] September 23rd–27th, 1962.

PERSONAL

Messrs Maurice Apple & Co, Incorporating Van Straten & Co, Chartered Accountants, announce that they have moved from 79 St Martin's Lane, London, WC2, to 1 Hyde Park Place, Marble Arch, London, W2. Telephone: Ambassador 6608–9.

Messrs Moody Stuart & Robertson, Chartered Accountants, previously of 1 Albert Square, Dundee, announce that as from July 22nd, their address has been changed to Royal Exchange, Dundee. The telephone number (Dundee 6163) remains unaltered.

Messrs Ashmole, Edwards & Goskar, Chartered Accountants, of Cornhill Chambers, Christina Street, Swansea, announce with deep regret the death on July 9th, 1958, of their senior partner, Mr John Webster, F.C.A. The practice is being carried on in the same name and at the same addresses by the remaining partners.

PROFESSIONAL NOTES

Viscount De L'Isle, V.C., P.C., A.C.A., has been elected President of the Office Management Association for 1958–59.

Mr J. B. Raeburn, F.C.I.S., F.A.C.C.A., and Mr B. L. Allen, A.C.A., have been appointed secretary and assistant secretary respectively of Britain Steamship Co Ltd and Watts Watts & Co Ltd.

LEICESTERSHIRE AND NORTHANTS SOCIETY OF CHARTERED ACCOUNTANTS

Mr Thomas Langford Plewman, B.A., B.COM., F.C.A., has been elected President of the Leicestershire and Northamptonshire Society of Chartered Accountants for the year 1958–59.

Mr Plewman, who is aged 46, was born and educated in Ireland and graduated at Trinity College, Dublin, in Economics and Political Science. He was articled in Leicester to the late Mr R. V. Rodwell, and was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1941; he was elected to Fellowship in 1955.

During the Second World War he served in the Royal Artillery from 1941–46, taking part in the campaign in France and Germany. He joined the British United Shoe Machinery Co Ltd on demobilization and three years later, in 1950, became a partner in the firm of A. C. Palmer & Co, Chartered Accountants, of Leicester. He has been a member of the Society's committee since 1953.

Other officers of the Society have been elected as follows:

Vice-Presidents: Mr J. B. Corrin, F.C.A., and Mr W. G. Fox, T.D., D.L., J.P., M.A., F.C.A.
Librarian: Mr W. E. Willis, D.F.C., B.A., A.C.A.
Hon. Secretary and Treasurer: Mr G. L. Aspell, T.D., D.L., F.C.A., 4 Wycliffe Street, Leicester.
Hon. Assistant Secretary: Mr R. F. Watkins, A.C.A.

Report for 1957

The Society's report for 1957 records a membership of 234 at December 31st, 1957, an increase of five compared

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with the previous year. Since that date, 196 former incorporated accountants have joined the Society.

The annual dinner of the Society was held at *The Grand Hotel,* Leicester, on October 16th, 1957, and was attended by 176 members and guests; the dinner was preceded by a meeting at which the President of the Institute took tea with members of the Students' Society. During the year, one luncheon meeting was held in Leicester and one in Northampton, and a number of evening meetings were held in conjunction with the local Society of Incorporated Accountants.

The Kettering Accountancy Discussion Group held six meetings during the season and a wide range of topics were discussed.

DIPLOMA FOR AUDIT ASSISTANTS

The three-year diploma course for audit assistants in the Merseyside area established last September at the Liverpool College of Commerce, is to continue in the coming autumn.

The course proved to be successful in its first year and the Committee of the Liverpool Society of Chartered Accountants express the hope that members of the Society will release staff to attend the course on one half-day each week to enable them to complete the full course.

The recruitment committee of the Society maintains close contact with the College of Commerce. Examinations based on a syllabus agreed between the Society and the College are held at the end of each year, following which reports on students' progress are submitted by the College to the firms concerned. In addition to the lectures, a course of reading will be recommended by the College and it is hoped that members of the Society will assist their junior staff in purchasing books. Students attaining an agreed standard in the final year will receive certificates of proficiency issued by the College.

The first-year course will cost £2 5s for students over 21 years of age and £1 15s for students under that age. The second- and third-year courses will cost £2 10s for students over 21 and £2 5s for students under 21.

ACCOUNTING HALL OF FAME

Mr Harry A. Finney, author of the book *Principle of Accounting*, Mr Arthur B. Foye, President of The American Institute of Certified Public Accountants in 1953–54, and the late Donald P. Perry, chairman of the Commission on Standards of Education and Experience for C.P.A.s, have been named to the Accounting Hall of Fame at Ohio State University.

The Accounting Hall of Fame was established in 1950 to honour famous accountants for their services to the accountancy profession in the United States.

ASSOCIATION OF SCOTTISH CHARTERED ACCOUNTANTS IN LONDON

The annual meeting of the Golf Club of the Association of Scottish Chartered Accountants in London was held at the Berkshire Golf Club on Friday, July 11th in excellent weather with an attendance of thirty-nine members.

The medal competitions were played in the morning on the blue course and the bogey competitions in the afternoon on the red. Conditions were perfect for scoring with the result that the pars of 73 and 74 had rather the worst of it.

In the morning the medal round was for the Past Presidents' Challenge Cup (played under handicap and open to all), and for the J. Ivan Spens Challenge Cup (for competitors of handicap 12 and over); prizes were presented to the runners-up in each case and also for the best 9 holes home. The office having the best net score for two of its members became the holder of the Lady Mann Challenge Cup.

The results were:

Past Presidents' Challenge Cup:

Winner:	N. McAndrew	78–10=68
Runner-up:	Ian M. Whyte	76– 7=69
	R. J. Jamieson	74– 5=69

Mr Whyte won the prize with the better nine holes home.

J. Ivan Spens Challenge Cup

Winner:	R. Darby	95–18=77
Runner-up:	David Finnie	98–18=80
	F. C. S. Parkinson ..	96–16=80

Mr Finnie won the prize with the better score for the last nine holes.

Best 9 holes Home

C. M. Scroggie	39–5½=33½

Lady Mann Challenge Cup

Winners:	Messrs Peat, Marwick, Mitchell & Co.	
	N. McAndrew	68
	R. J. Jamieson	69
		137
Runners-up:	(a tie) Messrs Brown, Fleming & Murray and Wood, Willey & Co ..	145

Bogey Challenge Cup

There was a tie for first place at 3 up between Mr A. Inglis and Mr D. L. Skinner. Mr Inglis, being 3 up for the second 9 holes took the Cup and Mr Skinner won the prize for the runner-up.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

After a tie in the annual golf competition of the Liverpool Society of Chartered Accountants, Mr F. D. M. Lowry beat Mr N. A. Smith in the play-off for the Society's Cup and the President's and Vice-President's prizes.

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Oppressed Shareholders

A NEW remedy for oppressed shareholders was provided by Section 210 of the Companies Act, 1948. Until then their normal remedy was to obtain an order for the compulsory winding-up of the company, which might well be a Pyrrhic victory if the company's main value were as a going concern. Under Section 210, the Court can make an order regulating the conduct of the company's affairs or it can order the buying-out of the oppressed members, either by the company or by the other members, at a price fixed by the Court itself. Unfortunately, attempts to invoke the new section were not particularly successful and it seems that no order was ever made under it until March of last year, when the Scottish Court of Session granted an order for the purchase of shares in *Meyer & Lucas v. Scottish Textile & Manufacturing Co Ltd and The Scottish Co-operative Wholesale Society Ltd.*[1] This decision has now been affirmed by the House of Lords.[2]

The petitioners were minority shareholders of the first respondent (the textile company); the second respondent (the Society) was the majority holder. Set up in 1946, the textile company prospered under the two petitioners as managing directors. In 1951 the Society sought unsuccessfully to acquire their shares at par, though they were worth much more. The Society then, in the words of VISCOUNT SIMONDS, 'determined to seize any opportunity of procuring for themselves the benefit of the trade which had been largely built up by the petitioners' efforts'. After 1951, and by reason of external events, the Society no longer depended on the petitioners to get supplies of yarn and by the end of 1952, again in the words of LORD SIMONDS, it was the policy of the Society 'to destroy the company it had created, knowing that the minority shareholders alone would suffer in that process'.

The three other directors of the textile company were nominees of the Society and apparently made no effort to protect the textile company from the Society. On these facts it was held that the Society had behaved in a manner oppressive to the petitioners. The Society's argument that even if that were so, it had not conducted the affairs of the company in an oppressive manner within Section 210, was also rejected. LORD SIMONDS observed that mere trade warfare against the company would not be within the section, but here the trade warfare was supplemented by control of the company from within. If Section 210 was inept to cover such a case, it would be a dead letter.

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[1] [1957] S.C. 110.

[2] *The Times*, July 25th, 1958.

Finance Bill – XIV

STAMP DUTIES

Clause 34: Conveyance on Sale Duty

CLAUSE 34, operating from August 1st, 1958, makes major alterations in the *ad valorem* stamp duty charged on conveyances and transfers on sale, on certain sale agreements, leases at a premium, and voluntary dispositions by living persons. Imposed in 1892 at approximately 10*s* per cent, the duty was doubled in 1910 and again in 1947, but the increases were subject to reliefs in favour of certain small transactions. Clause 34 discontinues the 'small transactions' relief as such, but it substitutes a new scale of duty under which small transactions have more favourable treatment.

The basic rate remains at approximately £2 per cent as follows:

Consideration or value:		Rate
Not exceeding	£25	2*s* per £5
" "	£300	10*s* per £25
Exceeding	£300	£1 per £50

Fractions of £5, £25 or £50 are treated as the full amount for the purpose of the scale, which still applies to stocks, shares, marketable securities and premiums on leases where the annual rent exceeds £50. This is so whatever the amount of the consideration. Other instruments chargeable under the 'conveyance on sale' head enjoy a lower rate of charge provided:

(*a*) the consideration does not exceed £6,000; and

(*b*) the instrument is certified at the appropriate amount.

For these favoured instruments the scale is as follows (clause 34 (1) (2)):

Not exceeding	£3,500 ..	Nil
" "	£4,500 ..	¼ of the basic rate
" "	£5,250 ..	½ " "
" "	£6,000 ..	¾ " "

An instrument is 'certified at £3,500' (similarly for the other three sums) if it contains a statement in substantially the following form:

> 'It is hereby certified that the transaction hereby effected does not form part of a larger transaction or series of transactions in respect of which the amount or value, or aggregate amount or value, of the consideration exceeds £3,500.'

If the consideration in the instrument was, say, £3,000, but the instrument was part of a series of transactions aggregating £5,300, then the instrument could properly be certified at £6,000, but not less.

To speak of 'consideration' in a voluntary disposition by way of absolute gift (where the value of the property given governs the duty) is somewhat misleading, but clause 34 does not provide for any alternative wording. Indeed, it expressly contemplates the lawful insertion of a certificate which is not factually true, for clause 34 (4) provides that for the purpose of the certificate, any sale of 'goods, wares or merchandise' is to be left out of account except in so far as the instrument actually transfers them (clause 34 (4) (*a*)). Of course it would be unusual to transfer chattels by written instrument instead of by manual delivery. Clause 34 (4) (*b*) provides that the certificate is to be construed as leaving out the goods etc. Again, in the case of a lease, the certificate is talking about the premium; the rent is disregarded – bearing always in mind that if it exceeds £50 per annum the certificate should not in any case be inserted. It follows that a certificate may well be misleading if read without clause 34 in mind. Although clause 34 (5) in general excludes stocks, shares and marketable securities, a proviso preserves the existing relief to transfers of 'new local authority stock'.

Clause 34 (6) preserves the concession in favour of conveyances and leases to charities under which the maximum rate is approximately 1 per cent, i.e. the same as for instruments certified at £5,250. The adjudication stamp has to be obtained. Where the consideration does not exceed £5,250 and the appropriate certificate can be inserted the charity relief brings no benefit.

Clause 34 (8): Receipts in Conveyances

Clause 34 (8) was introduced at the committee stage to correct an oversight. One of the many exemptions from the twopenny receipt duty, exemption (11), is in favour of receipts contained in other instruments and acknowledging receipt of the consideration money. The exemption arises most frequently in conveyances. However, it was a condition of the exemption that the principal instrument should be 'liable to stamp duty, and duly stamped'. It was not intended this year that the receipt exemption should be forfeited where a conveyance is certified at £3,500 and is thus exempt from conveyance duty. It has to be borne in mind that a receipt cannot be stamped later than one month after the document has been executed, so that if the receipt was overlooked and the conveyance was otherwise exempt, the conveyance itself might become useless as evidence of the transfer of title. Accordingly, clause 34 (8) provides that the reference in exemption (11) to an instrument 'liable to stamp duty, and duly stamped' is to be taken to extend to an instrument certified at £3,500.

Clause 34 (10), which is unrelated to the rest of the clause, corrects a drafting defect in Section 37 of the Finance Act, 1956, which was the previous provision granting small-transaction relief and which ceased to operate at the end of July 1958. The section referred to the doubling, in 1910, of the conveyance on sale duty by Section 73 of the Finance (1909–10) Act, 1910, but failed to mention the doubling of lease duties by Section 75 of the same Act, to which Section 37 was intended also to apply.

Clause 35 (1): Securities in Relation to Goods etc.

Two different heads of charge in the Schedule to the Stamp Act, 1891, deal with securities for the payment of money, i.e. 'Bond, Covenant or Instrument of any kind whatsoever', which deals with periodical payments, and 'Mortgage, Bond, Debenture, Covenant' which deals with lump sums. Broadly speaking the duty is 5*s* per £100 on principal securities. In relation to another heading, the one which imposes 6*d* duty on agreements under hand (i.e. not deeds), there is a long-standing exemption in favour of agreements relating to the sale of goods, wares or merchandise; the object being to encourage trade. This exemption does not apply where the agreement is also a security within either of the two headings mentioned above. It was announced in the House of Commons that the Government had decided to help exporters who might be hampered by these *ad valorem* stamp duties. Hence clause 35 (1) which provides that neither of the two heads of duty shall extend to

> 'any instrument in respect of a covenant or agreement by any person, whether as principal or as surety –
>
> (i) to pay, or to guarantee the payment of, sums payable for or in relation to the sale or hire of any goods, wares or merchandise, the sale, hire, construction or installation of any machinery or plant, the supply of electricity, or the execution of any building works or any works of civil engineering; or
>
> (ii) to reimburse or guarantee the reimbursement of advances made for or in respect of the payment of sums payable as aforesaid'.

Clause 35 (1) goes on to say, somewhat enigmatically, that the headings 'Agreement or any Memorandum of an Agreement' and 'Deed of any kind whatsoever, not described in this schedule' (i.e. the Schedule to the Stamp Act, 1891) shall be construed accordingly. What the draftsman apparently has in mind is this. The agreement heading is specifically confined to agreements under hand which are not 'otherwise specifically charged with any duty'. It follows that agreements under hand which cease to be within the securities heading automatically become chargeable with 6*d* duty unless they are within one of the exemptions from that duty. The draftsman is apparently calling attention to this. The exemption under the head 'Agreement', in favour of agreements for the sale of goods, will not apply where the price is payable in instalments (clause 35 (1) (*b*)).

In the case of deeds, the position is not so simple. Evidently the draftsman thought that because a deed is now excluded from charge as a security, it automatically becomes liable to the 10*s* deed duty. But the deed heading is confined to deeds 'not described in this schedule'. One would have thought that a subsequent provision excluding an instrument from the security charge did not make that instrument any the less an instrument 'described' in the schedule. It is questionable, therefore, whether such a deed is chargeable at all.

As an afterthought, clause 35 (1) excludes from its benefits instruments giving a charge on property. Thus, where a purchaser of land contracts to have a house built on it and charges the land to secure the cost, he cannot claim exemption on the grounds that the agreement relates to 'the execution of any building works'.

Clause 35 (2) to (5): Miscellaneous Exemptions

Instruments (including endorsements) discharging a mortgage normally attract *ad valorem* duty. Where the money has been advanced by a local authority under the Small Dwellings Acquisition Act, 1899, the discharge has enjoyed exemption for some years. Clause 35 (2) (3) extends the exemption to other cases where the authority is owed money under other Housing Act powers.

Clause 35 (4) makes a slight extension in the exemption, introduced in 1952, of certain transfers of water undertakings. Clause 35 (5) grants a new relief from conveyance on sale duty in favour of agreements under Section 14 of the New Towns Act, 1946, for the transfer of water undertakings or sewerage undertakings. Like clause 34, clause 35 operates as from the beginning of August 1958 (clause 35 (6)).

(*Concluded.*)

Irish Company Law Reform

COMPANY law in the Republic of Ireland is mainly governed by the British Companies Act of 1908. In 1951, the then ATTORNEY-GENERAL appointed a committee to report on company law reform and the report of that committee was published last month.[1]

While considering that many of the complex provisions of the British Companies Act of 1948 are not appropriate in the Republic, the committee thinks that the close trading connections between the two countries and the lack of Irish textbooks make it desirable that the two systems of law should correspond in broad outline. The report therefore recommends an entirely new Companies Act which would, in effect, adopt a number of the changes which have been made in Great Britain since 1908.

One of the committee's recommendations is perhaps a little startling, not in what it advocates, but in its revelation of a gap in the law: this is, that companies should be required to keep books. The recommendation is backed by a further recommendation that directors and secretaries failing to ensure the keeping of books should be subject to a substantial minimum fine, with imprisonment where the failure is wilful. As regards annual accounts, although the committee thinks that these should not disclose figures of turnover, production costs, or distribution, administration or management expenses, it does lay down certain detailed minimum requirements to be satisfied by balance sheets and profit and loss accounts. On group accounts, the committee says:

> 'We consider, not without hesitation, that the case for the introduction of consolidated accounts for public companies has been established. . . . We have considered Section 154 of the British Companies Act, 1948, and, although we deplore its complexity, we recommend its adoption.'

Later in the report the committee recommends the adoption of Sections 150 to 155 and also Part II of the Eighth Schedule of the 1948 Act, and that the form of consolidated accounts should follow the forms made statutory in Great Britain. Consolidated accounts would not be required from private holding companies, and all private companies would still be exempt from the obligation to file accounts at the Registry.

The legal members of the committee strongly supported the view that only qualified auditors should be eligible for appointment as company auditors, 'qualified auditor' being defined as a member of a body of accountants established in Ireland or Great Britain and for the time being recognized by the Ministry of Industry and Commerce. The members of The Institute of Chartered Accountants in Ireland who gave evidence, told the committee that such a provision would not be in the interests of the Institute's members and they were opposed to it. The report accepts the view that, subject to considerations of public policy, the professions should regulate matters belonging to their particular sphere. Accordingly it does not recommend any restriction on the eligibility of persons for appointment as auditors.

The committee would prohibit articles of a company which made auditors immune from liability for negligence or breach of duty, and would replace them by a statutory provision empowering a Court to relieve auditors who have acted honestly and reasonably.

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[1] Stationery Office, Dublin, 4*s*.

Stock Determination . . .

DISCUSSION OF AN IMPORTANT FACTOR IN ACCOUNTS

by HOWARD B. BURDEAU, C.P.A.

THE importance of stock determinations in the preparation of financial statements is fundamental and commonplace to accountants. For the amount at which stocks are stated at the beginning and end of a financial period have a direct effect on the amount of income shown for the period, and the computation of various balance sheet ratios which are of special importance where short term credit is involved. Although determination of income is usually the more important objective if there is any question of insolvency, the amount at which stocks are shown in the current assets section of the balance sheet may be the more important and the more immediate consideration.

What is Stock?

The question naturally arises: What is stock? The stock of a concern that buys its goods in condition for sale is usually called the merchandise stock; in a manufacturing concern, the principal stocks are raw materials, goods in process, and finished goods. The principal kinds of assets which are usually grouped under stock are described as follows:

(1) merchandise;
(2) materials;
(3) work in process;
(4) supplies;
(5) finished stock.

The term 'merchandise' is used primarily in distributing lines and includes all classes of commodities which are held by dealers for sale. 'Materials' consist of goods purchased by the manufacturer or converter upon which further work is necessary before they are offered for sale. The term 'supplies' is used to cover a wide variety of auxiliary commodities which do not enter directly into the finished product but which are necessary to operation and production. Some accountants hold that supplies, particularly those not connected with production, should be treated as deferred charges. From a theoretical point of view all cost factors are a deferred charge to operations, and it is practical and correct to consider supplies as an item of stock. Supplies are acquired, issued, and inventoried much as are direct materials. Moreover, supplies as a rule will suffer no greater shrinkage than materials in case of liquidation. 'Work in process' covers all goods to which manufacturing services have been applied and on which further operations will be necessary before the product is ready for disposition. The cost of work in process includes not only the materials to which effort has been applied, but also the labour and factory service which have been exerted in bringing the work to the present state of completion. 'Finished stock' consists of completed products which are ready for disposal and is thus similar to distributors' merchandise.

What should be called stock? Stock should include all goods for which the company holds title, whether the goods are in its possession or elsewhere. If goods sold under contract or ordered for future delivery are being held in stock, it is important to determine whether title has passed. It has been held that the primary basis of inventory pricing is cost, and that any approach to the inventory problem must proceed from cost.

Valuation of Stock

The standard used for the valuation of stock for balance sheet purposes is 'cost or market' whichever is lower, which is based on the accounting rule to anticipate no profit and provide for all losses. If the market purchase price declines, the assumption is made that selling price would decline with it. By reducing the stock valuation to market purchase price, it reduces the profit for the period when the cost price decline took place, and transfers the goods to the next period at a price which will presumably permit the earning of a normal gross profit on their sale. If the market purchase price increases, the stock is valued at cost so that profit will not be anticipated.

The 'cost or market' rule is one of the most generally accepted applications of conservative accounting principles. The valuation of stock at cost or market is unquestionably conservative from the balance sheet standpoint. This accounting principle has been questioned by accountants in recent years as to whether, giving consideration to the income statement for a series of periods, the cost or market rule is as conservative as it has seemed to be. Accountants are becoming increasingly concerned with the income statement as an adjunct to the balance sheet, and especially the income statement as shown, or trend of profits over a period of years.

The cost or market rule is based on the assumption that a decrease in market purchase costs will be accompanied by a corresponding decrease in selling price before the disposal of the stock. This is frequently not the case in the actual conduct of business affairs. There is some talk among accountants that instead of assuming that a decrease in selling prices will properly follow a decrease in cost, consideration should be given to the trend in selling prices, and the stock valuation should not be reduced unless selling prices have decreased at the balance sheet date and before disposal of the inventory. Perhaps, in the future, some accounting principles may be developed and generally adopted in practice, whereby a conservative stock valuation may be reflected in the balance sheet without creating the inconsistencies and distortions in the income statements of successive periods which result from the present accounting procedure.

Meaning of 'Market'

There has been much discussion as to the meaning of the term 'market' as used in stock valuation, particularly in the phrase 'cost or market'. In the application of the rule of 'cost or market' there is considerable opinion to the effect that 'market' means the lower of replacement cost or net realizable value. Market value, as used in the valuation of stocks, is of three kinds, depending on the type of stock involved. These three methods may be described as follows:

(1) purchase or replacement basis;
(2) reproduction basis;
(3) realization basis.

Purchase or replacement basis. This applies to purchased merchandise or materials. It is the current bid price prevailing at the date of the inventory for the particular merchandise in the volume in which usually purchased by the company. This description should include the incidental acquisition costs, such as freight, duties, and so forth.

Reproduction basis. This applies to manufactured goods and goods in process. It should be determined on the basis of the market price for raw materials, prevailing labour rates, and manufacturing charges adjusted to current costs.

Realization basis. This basis is applied to such things as obsolete or repossessed stock. For such items it may be necessary to accept as an estimate of market value, the prospective selling price minus all prospective costs to be incurred in conditioning and selling the goods, minus a reasonable profit.

What is Cost?

What is cost? The problem of ascertaining costs is complicated by a number of difficult points, which will be discussed briefly in the following paragraphs.

Costs include not only the purchase price but all incidental costs necessary to placing the goods in the market. These incidental costs include duties, freight, drayage, storage, insurance where the goods are being stored or transported, and expenses incurred during any ageing period. The question of manufactured costs has important ramifications which would be of extreme interest to the accountant in his search for a true representative of the item for his balance sheet. The purchase price of raw materials and merchandise can be determined from the invoices. But the cost of goods in process and cost of finished goods can be determined only by keeping accurate cost records. Some companies have followed the practice of omitting manufacturing overheads in the stock valuation on the theory that this is a conservative procedure. From a theoretical viewpoint this is wrong, for there is no more propriety in omitting the overhead element of manufacturing cost than in omitting the material or labour cost.

The problem of numerous purchases has also important ramifications which the accountant must deal with. There are a number of ways in determining the cost of an item of stock which is one of a number of items purchased over a period of time. An examination of a number of these methods, which would be the most significant in our present discussion, follow.

Specific identification. If the goods on hand can be identified as pertaining to specific purchases or specific production activities, they may be inventoried at the cost shown by the invoices or inventory records.

First-in, first-out (FIFO). The goods on hand are considered to be those most recently purchased. This method is based on the assumption, which is generally in accordance with good merchandising policy, that the older stocks are usually the first to be disposed of. The first-in, first-out method has been considered desirable because it produces an inventory valuation which is in conformity with price trends.

Last-in, first-out (LIFO). Under this method the goods on hand are assumed to be those acquired by the earliest purchases. This method is advocated by some students of accounting because of the following principal reasons.

First of all, it tends to equalize periodical profits during a cycle of years in which prices rise and fall. This alone is not a conclusive reason in favour of the LIFO method. The LIFO method may be said to have the advantage of matching current costs against current revenues, while the FIFO method seems to be more in conformity with desirable merchandising operations.

The second principal reason offered in support of LIFO is that, in a rising market, profits shown under the FIFO method are ploughed back into the inventory, and from a working capital standpoint it may not be expedient to distribute them. LIFO tends to keep out of the stated profits any amounts which are not realized in the sense of being represented by a net increase in current assets other than merchandise. Profits which are deferred on the LIFO method during a period of rising merchandise costs are taken into earnings during a period of declining costs. Under LIFO, the portion of the sales proceeds which is ploughed back into the inventory during a period of rising costs is not taken into income until it is released from the inventory during a period of reducing costs. Under FIFO the current costs are shown in the balance sheet, while under the LIFO method current costs are matched against current revenue in the income statement. The effect of using LIFO in the balance sheet, especially the elements of working capital, is the following. In a rising market, the inventory of a company using LIFO would be given a lower valuation than that given to an identical inventory of another company using FIFO, and the LIFO company's working capital would be unfavourably stated in comparison with that of the FIFO company. In a falling market, the LIFO company would obtain an advantage.

Inventory profit and loss are large in years of rapidly changing prices. Decisions on inventory procedure that potentially involve figures of this magnitude raise questions of major economic importance. Inventory profits are worth being concerned about, either from a general economic standpoint or from the viewpoint of individual companies or industries.

Beyond doubt, the most important motivation for a shift to LIFO would be the desire to save which obtains in a period of rising prices, but to concede that this consideration was the only important factor in the decision of business managements on the use of LIFO would be wrong. A whole range of other factors, such as ignorance and inertia to the heavy administrative burden to business management of operating the LIFO method may strongly influence managements in their consideration of the advisability of shifting to that method.

Economic Significance Important

The general economic significance of the different inventory methods is very important. Approaching the problem from a broad social viewpoint, the most important question in the whole area of inventory valuation procedures is whether methods which include inventory profits and losses in income, or those which exclude them, permeate a greater degree of stability in national income. In economic terms, the case of including or excluding inventory profits from income rests on the effect of these policies on: (1) business and investor expectations; and (2) the cash position of business.

The inclusion of inventory profits and losses in income tends to produce excesses of business optimism in times of rising prices and unwarranted business pessimism in times of falling prices. The fact that taxes must be paid on stock profits if they are included in taxable income, tends to put business in a tighter cash position in times of rising prices as compared with the situation if stock profits were excluded from income. If inventory losses are allowed as deductions in the determination of taxable income, a business will have smaller tax liability and be in a freer cash position in years of falling prices.

It may be interesting to examine these psychological and cash effects on such questions as the working capital position of a business, dividend policies, wage policies, and stock procurement policies.

As a general statement, these psychological and cash effects tend to work in opposite directions. In periods of expanding activity and rising prices, the effect on business expectations would tend to exaggerate a boom, whereas the cash effects of income taxes levied on inventory profits would tend to restrain a boom. The reverse considerations apply when prices are falling. It may be wise to encourage the adoption of a concept of income which excludes from income the effects of inventory profits and losses in so far as economic effects are concerned.

Paying the Modern Mariner

by GRAHAM BARTLETT, A.C.A.

IMAGINE yourself, if you will, at the head of an organization employing a staff of 100,000 men and women. Imagine also that this large staff is scattered in groups of 30 to 3,000 all over the world: some of these groups are static, but the majority active and mobile.

Each 'employee' is liable to be ordered at short notice to move to a new place of duty, often in a completely different part of the world. Although most are British, many must of necessity remain for years in foreign lands; while others, by the very nature of their work, are required to remain at sea for long periods, cut off from 'head office' and from other 'branches' by great stretches of ocean.

How would you propose to pay each member of this 'staff' his weekly wages? What arrangements would you make to overcome the many problems involved? You might, on consideration, adopt the methods used by the Royal Navy, which differ in many respects from 'civvy street' methods.

Service Contracts

All naval ratings are under contract to serve a specified period of years. They may not, therefore, 'collect their cards' at a week's notice as in civvy street. This means that, up to a point, their pay can be calculated in advance, and advantage is taken of this fact.

On the other hand, they are always in danger of a 'snap' drafting from one ship to another, either temporarily or permanently. Should a ship be lost or paid off, her company will at once be transferred to new places of duty. The pay system must therefore be flexible, allowing for a constant turnover of personnel in each ship and establishment.

This movement is repeated on a larger scale as ships sail from port to port, and yet again as flotillas, squadrons, and even whole fleets move about the world, sojourning in this country and that for periods of varying, and sometimes indefinite, length.

There would not, of course, be any difficulty if every ship carried her own accounts and pay office. Unfortunately, this is not possible and only the larger ships, together with certain establishments, are 'self-accounting'.

To meet this difficulty the naval pay system has devised, over the years, an organization of 'base pay offices' and 'tenders' to these offices. There is no clear rule to decide which ships should be self-accounting and which base-accounting. In general, though, ships in full commission with a complement over 300 keep their own accounts, while smaller ships such as frigates, submarines, boom-defence vessels, and also numerous naval air squadrons, are base-accounting.

Establishments ashore may fall into either category, depending more on their situation than size. Thus, many establishments in the Portsmouth area rely on H.M.S. *Victory* (the ship name for R.N. barracks) for their office records, while more remote stations have their own supply offices.

Under this system, a single base pay office with a staff of some twenty men keeps the pay accounts for up to fifty ships and several thousand men.

Each pay day, the amount due to each man 'borne for pay' is calculated and written up in a pay list for each tender. The sum total is then remitted to the commanding officer of every tender, at her current address, at home or abroad, in cash or by cheque. By maintaining an ordered series of pay offices ashore and individual offices in ships at sea, the navy pays her men regularly in a variety of currencies.

Payment by the Day

It must not be supposed that a mariner's pay is quickly calculated, for this is not the case. The civvy street formula of 'basic wage plus overtime, less tax, insurance, and superannuation' is complicated by many further adjustments, not least of which are the numerous additions to and deductions from each man's basic rate.

By custom, ratings are paid on a daily basis, and over the years there have appeared a host of different basic daily rates which depend entirely on the man's service contract, seniority, and professional ability.

Thus, a national serviceman on entry may receive 4*s* 6*d* a day, compared with a chief petty officer on the highest rate of 36*s*. Deciding the correct daily rate, however, is straightforward; to this may be added length of service pay, badge money, out-of-quarters allowance, kit upkeep allowance, trade pay, certificate pay, and, in a few cases, grog money (for those who prefer 3*d* a day in lieu of one-eighth of a pint of rum!).

One item which is never found, however, is 'overtime', since naval personnel are engaged for twenty-four hours a day, 365 days a year.

On the other side, there are deductions to be made for income tax, national insurance, and 'allotments'. This latter deduction is the result of a singular privilege provided by a generous Admiralty (in common with the Army), a privilege not accorded by the civilian employer. Under the allotment system, sailors may arrange for weekly or monthly deductions to be made at source, the Admiralty arranging to pay wives and relatives through the Post Office, and tradesmen and banks by warrant, every week or month.

It is in effect a 'standing order' system, the Director of Navy Accounts acting as unpaid banker; an arrangement, incidentally, of which ratings take the utmost advantage at considerable expense to the taxpayer.

Pre-treatment

The Admiralty has for years paid its men fortnightly in cash. Unlike civvy street, it would be an immense job to calculate each man's wages direct from daily rates each pay day, with all the adjustments that would thereafter have to be made. It is now the practice, therefore, to 'pre-treat' each account in order to eliminate as much as possible of the repetitive routine arithmetic.

To this end those allowances, deductions and adjustments which are of a permanent nature are totalled in advance for a period of up to eighteen weeks; and this total, divided by the number of fortnightly pay days, gives a basic 'fortnightly rate'.

Having completed this tedious task at the beginning of the period, pay office writers are then safe in paying a fortnightly rate each alternate week throughout the period.

In practice, however, this figure is subject to numerous changes as the weeks pass by. Allotments are varied; 'mulcts' of pay (fines) are notified; income tax code numbers change; ratings and officers are promoted, thus earning higher rates of pay and allowances; men move in and out of married quarters, causing charges for rent or credits for out-of-quarters allowance; and various victualling allowances may be payable during the period. These are only a sample of the many adjustments that may arise and it is in fact a full-time job keeping the accounts up to date as all these debits and credits are communicated.

Ledger Accounts

This phrase 'keeping' the accounts is used deliberately for it sums up the pay office writer's work. It would be impossible to record naval pay otherwise than by ledger accounts. In point of fact, two similar accounts are kept for each officer and rating, identical in every way except for their layout.

Ledger keepers always work in pairs, writing up their accounts concurrently but independently; this provides an automatic check at all times. There is the 'working ledger' hand, a senior rating in charge of the section, and the 'loose-leaf' ledger keeper. Each item is entered in turn by the two writers and in case of difficulty the senior hand gives advice to the junior.

This sequence of work continues steadily until the approach of pay day, when pay figures are put in. The junior rating calls over to the senior the sum due to each man, according to his ledger, and if the senior agrees, this figure is then entered for payment. Where differences of opinion arise the account is immediately checked and corrected.

The continued accuracy thus provided also enables accounts to be balanced, closed and transmitted to other ships without delay. When, as often happens, a member of the ship's company appears and reports his imminent departure to another ship, his loose-leaf account is immediately totalled and the balance agreed with the working ledger. In a matter of minutes, the rating can take his full pay documents away with him to wherever he is going and be sure of no break in the continuity and accuracy of his pay.

The flexibility provided by this 'double-accounting' method, based as it is on wartime conditions, is invaluable in peacetime. Although the flow of men from ship to ship is not so great today as in the hectic days of the Battle of the Atlantic, naval ratings are still sent on draft as individuals. They come and go in ones and twos, not in companies and regiments.

The whole system, in fact, has been worked out to the last detail; to such an extent that this otherwise complicated matter becomes an almost routine clerical job. Problems are bound to arise, but in general the payment of serving men and women in the Royal Navy is adequately and tidily effected, without undue fuss, by a branch of the service boasting neither higher education nor exceptional ability.

One is bound to admit that this particular accounting system is well planned, well organized, and efficiently managed – a credit indeed to those who devised it in its present form some five years ago.

NORTH AMERICAN COMMENTARY–XCII

Current Accounting Opinions in the United States and Canada

by KENNETH F. BYRD, M.A., B.Sc.(Econ.), A.C.A., C.A.(Canada),
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The Journal of Accountancy,
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Changes in Public Accounting

IN a penetrating review of public accounting, Mr A. Carl Tietjen, C.P.A., says that planning ahead and active supervision during the audit have largely superseded the post-audit review. He would have the auditor view the succession of audits as a recurring engagement so that, for example, a full cash programme will be necessary only every second or third year. In the off years interrogation will be made by experienced assistants.

Referring to electronic data processing, Mr Tietjen says that auditing is here only in a development stage and will require to be done either at the time of original processing or much closer to it than has been customary. He emphasizes what he calls the 'business approach' in auditing – understanding the company, its products, operations and problems – in order to form a more informed opinion. The accountant's traditional concern with written accounting documents will, he thinks, have to yield something to the need for more emphasis on the physical objects and people that the documents stand for. The accountant will thus take a big step towards becoming a management consultant.

Mr Tietjen says the profession has been too bound by official pronouncements and Court decisions. He considers that the American Institute's committee on auditing procedure should recognize, in its pronouncements, the difference between an initial examination and a recurring examination by the same accountants. For a company with capable personnel, sound internal controls and virtually foolproof accounting records – a state now approached, he says, by a number of the larger companies – he visualizes a small audit team of highly-qualified men with from eight to ten years' professional experience. They would spend little time on traditional year-end audit procedures but would work for extended periods during the year getting to know the business, satisfying themselves as to the personnel, controls and periodic financial statements, interrogating not only the financial but also the operating personnel, and examining internal reports and statistics. The man in charge would be a manager or junior partner with such knowledge of the business that top management would consult with him on all important business decisions. In such circumstances Mr Tietjen suggests that remuneration at all staff levels would be professional in every respect and the client would be happy to pay for it. At this stage, he concludes, the profession will have come of age.

Constructive Auditing

An editorial, commenting with approval on Mr Tietjen's article, says that even small businesses will be using mechanized accounting within a few years, while punched-card service centres are already available for them and electronic service centres will soon be available. These developments will cut down detail work and enlarge opportunities for constructive auditing. It considers that the independent auditor should be the natural source of advice as to organization of a successful internal control system, when there are only one or two skilled operators for the data-processing machines, and as to profiting by many other new uses of accounting already on the horizon.

Most accounting firms admit, says the editorial, that they do not today provide all the services their clients would be glad to pay for if time and skilled staff were available. Concluding that the value of the audit in the client's eyes can be tremendously enhanced if it includes profit-making by-products, it says that in the next decade it will be truer than ever that accountants who do most for their clients will have the most to do themselves.

The Current Status of LIFO

While its admissibility for income tax in the United States has had tremendous bearing on the widespread adoption of the 'last-in-first-out' method of inventory valuation, Mr Herbert T. McAnly, C.P.A., says this can hardly be considered as the primary reason for its use. For, he says, many companies have adopted LIFO, or have set up reserves to eliminate price increases from inventories and state corporate profits more correctly, even where they have deferred its adoption for income tax purposes. This deferment has been necessary because the present tax law inequitably establishes the beginning cost level as a floor for all future tax determination. Since the approval of LIFO by Congress in 1939 was not endorsed by the Bureau of Internal Revenue until 1949, prices had risen to such a height that many companies feared to accept them as a floor.

Mr McAnly suggests that it is possibly time accountants got around to the construction of a balance sheet which carries all the financial position of a company on a current basis. He points out that the disadvantage of understating inventory on the balance sheet by the LIFO method can be overcome by increasing the LIFO figure by the amount which would bring it to the lower of current acquisition cost or market, less the income tax on such additional sum, since the current assets already reflect the tax reduction from the application of LIFO. The net addition would be offset by a credit to a reserve to prevent impairment of capital which would be part of the capital structure. Mr McAnly says it is significant that the United States Department of Commerce, in determining the national business income, makes inventory valuation adjustments which, in effect, put all industry on a LIFO basis.

LIFO dollar-value techniques with the use of a basic dollar value as a common denominator, enable all items in a group of products to be expressed in 'dollars' of investment at a specific price level, so that the LIFO principle may be applied regardless of the complexity of the inventory. Mr McAnly concludes with an appeal for a positive attitude towards LIFO by members of governmental agencies and of the accounting profession.

Book Debts

SOME EXPERIENCES OF AN AUDITOR

by M. BARRADELL, LL.B., A.C.A.

SOME time ago, a professional society included in its examinations a question on the operation of a system of credit control. The subsequent report of the examiners revealed that several candidates' knowledge of this topic was bounded by three stock letters, saying in effect 'Please pay', 'Pay', and 'Pay, or else – !'

A system of credit control does sometimes include such letters, along with its other – and more valuable – features. This is a field in which prevention is emphatically better than cure. It is also a proper subject of review by the auditor, as the efficacy or otherwise of its operation can have a most material effect upon the value of book debts.

Preliminary Inquiries

It is an obvious precaution to make certain investigations before allowing extended credit to a new customer – either by a banker's or trade reference, or from one of the credit protection agencies. The reports from this last source are frequently guarded in tone and stereotyped in form, which makes any variation from standard all the more startling; one such variation ran as follows:

> 'Local opinions consulted are not very favourable. We enclose a newspaper cutting which we think will give you the information you require.'

This 'cutting' covered the greater part of a square foot, the subject of inquiry having been brought before the local Bench on a charge of attempted murder. Incidentally, the victim was another creditor!

Another status report confirmed that the subject

> 'occupies premises at [address], employs *x* hands, and appears to be in a fair way of business'.

This customer subsequently defaulted, and neither the company's own representatives, nor the Post Office, nor the police, were able to trace the address given.

On the other hand, there are instances in which to request a status report is simply a waste of the prepaid coupon. An inquiry as to the financial standing of a distinguished peer of the realm brought forth one and a half typed foolscap pages, listing his lordship's pedigree, directorships, and other interests; from which it appeared that occasional deliveries of stores to one of the ducal estates could be regarded as a normal trade risk.

Customer Contact

In the great majority of cases the point of contact with the customer is the company's salesman, and despite the textbook desirability of accounts being remitted direct to head office, this personal contact does sometimes produce the cash when other methods have failed. At the other end of the scale, of course, are those salesmen who remain apparently unaware that the total loss on one bad debt can obliterate the gross profit on many good accounts, and regard their task as over once the goods are delivered on to the customer's premises. I have myself heard a credit manager complain that – 'this load wasn't sold, it was given away!' If any such representatives are asked for their recommendations for dealing with an overdue account in their territory, the usual reaction is a shrug of the shoulders and a brief reference to the existence of the company's solicitors.

In some trades, it is the practice for the supplier to issue retailers with display equipment on loan, the salesmen being requested periodically to confirm that this equipment is still in place and in use for its proper purpose. There have been attempts in the past by zealous trustees in bankruptcy to seize such items under the 'order and disposition' clause of the Bankruptcy Act; consequently, when an auditor found that, amongst a file of returns confirming the continued existence of display equipment, one was marked in staring capitals 'BANKRUPTCY', his immediate impulse was to inquire whether any steps had been taken to protect the interest of the true owner. Then it was noticed that the retailer's name ended in 'Limited', a concern incapable of being made bankrupt at all. Was it then in liquidation? The correspondence file gave the answer – neither bankruptcy nor liquidation, but a *receivership* of the undertaking, instituted by the local bank. Since that occasion I have felt that a compulsory course for salesmen in the rudiments of commercial law might not be misplaced.

A less pleasant incident involved a dismissed salesman who had borrowed money from one of the customers of his former employer; this 'loan' was never repaid, and the customer sought to deduct the amount from his next statement. In point of law, this claim was almost certainly bad, but the suppliers were understandably reluctant to contest it in open court, and a fifty-fifty compromise was agreed upon.

Postal Verification of Debtors' Balances

Postal verification of debtors' balances is not a widespread practice in the United Kingdom, but it is occasionally encountered in large undertakings – particularly those with American affiliations, thanks to Messrs McKesson and Robbins. Consequently, many customers do not fully understand the purpose of the verification forms: one replied

> 'Next time you ask me to check your accounts, please enclose a fee',

whilst others showed less opportunism, but a wealth of imaginative profanity.

There is a potential source of irritation when a remittance happens to cross in transit with a verification form; even though the form states that after-date transactions are excluded, there will always be customers who do not read beyond the reference number and amount. One elderly lady, to her great distress, mistook the verification form for a solicitor's letter and there was an illiterate who asked the local salesman to sign the form for him, thereby vitiating most of its value!

Others ignore the forms completely, but hang on to the reply-paid envelopes until they next have occasion to write to the company on any other matter – possibly months or years later. This deplorable practice appears to be particularly common amongst small farmers.

There are usually a few balances outstanding for which it would be inadvisable or pointless to seek confirmation – mostly consisting of accounts already long overdue and in the hands of solicitors for collection. Other explanations are possible: one such was found by a too-flippant junior who, at the close of his first verification, was set to tabulate the various categories of accounts not verified. His list included the illuminating entry:

> 'Debtor incarcerated – 1.'

During the course of an audit it is quite possible to receive confirmation and/or payment in full of a substantial majority of the accounts receivable at the balancing date. The proportion of customers' queries to total active accounts must depend largely on the standard of ledger-keeping, the commonest causes being: items debited to the wrong customer's account (the discovery of one such error should resolve two separate queries); invoices or statements rendered to the wrong branch of a nation-wide undertaking; disputed items relating to short delivery or damage in transit; and the precise whereabouts of allegedly returned empties. Queries of an obviously routine nature can safely be left with the client's own staff for follow-up, the ultimate clearance being reviewed by the auditor at his next visit.

Periodic audit verifications are in fact welcomed by some ledger clerks, since they clear the records of much 'dead wood' and provide an agreed starting-point for subsequent transactions.

Weekly Notes

The Institute's Examinations

A TOTAL of 2,619 candidates sat for the examinations of The Institute of Chartered Accountants in England and Wales held last May. There were 1,028 candidates for the Final, of whom 496 (48·2 per cent) passed and 532 failed; in the November 1957 examinations, 499 (46·1 per cent) passed, and 583 failed. The First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, and the Frederick Whinney Prize were won by Mr Timothy Gordon Roland Lawrence, of London. The Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prizes for the papers on advanced accountancy (Part I) and English law (Part II) were won by Mr Arthur James Donovan, of Croydon, and the Third Certificate of Merit and the Plender Prize for the paper on general financial knowledge, cost and management accounting, were won by Mr Leonard Walter Green, of London.

In the Intermediate, there were 1,392 candidates, of whom 653 (46·8 per cent) passed, and 739 failed; in the November 1957 examination, 626 (47·4 per cent) passed, and 694 failed. The First Certificate of Merit, the Institute Prize, and the Robert Fletcher Prize were won by Mr David John Williams, of Newport, Monmouthshire. The Second Certificate of Merit, the Frederick Whinney Prize (shared with one other), and the Plender Prize for the paper on book-keeping and accounts (partnership), were won by Mr Roger Jackson Clark, of London, and the Third Certificate of Merit, the Tom Walton Prize and the Frederick Whinney Prize (shared with Mr R. J. Clark) were won by Mr Patrick William Lacey, of Salisbury.

In the Preliminary examination, 199 candidates sat, of whom 61 (30·7 per cent) were successful, and 138 failed; in the November 1957 examination, 37 (33 per cent) passed, and 75 failed.

A full list of successful candidates, together with a summary of results, appears elsewhere in this issue.

The Society's Examinations

THE three Chartered Institutes, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation), conducted the Final and Intermediate examinations of the Society in May 1958.

There were 299 successful candidates in the Final examination eligible for membership of the English Institute, and Mr Donald Ivor Matthews, LL.B., of Birmingham, was awarded honours. There were five successful candidates eligible for membership of the Scottish Institute and fourteen successful candidates eligible for membership of the Irish Institute.

In the Intermediate examination there were 567 candidates, of whom 259 (45·7 per cent) passed; honours were awarded to Mr Eric Bates, of Newcastle upon Tyne, Mr Neil Francis Marshall, of Salisbury, Mr John Partington, of Leeds, Mr Kenneth William John Saunders, of London, and Mr Edward Albert Tillman, also of London. Of those who passed, 233 are candidates for membership of the English Institute, seven are candidates for membership of the Scottish Institute, and nineteen are candidates for membership of the Irish Institute.

A list of successful candidates in the Final examination, together with a summary of results, appears elsewhere in this issue.

Borrowing Control Consolidation

THE further amendments to the Control of Borrowing Order, 1947, which we discussed in a leading article on July 12th, made the task of spelling out the current provisions even more difficult, for it meant that there were no less than five different orders in force, the last four containing various amendments. Everyone concerned with this confusing branch of the law will have welcomed the making, on July 23rd, of the Control of Borrowing Order, 1958 (S.I. 1958 No. 1208). Besides consolidating the previous orders, the new order makes two slight changes in Article 8 (5), as follows:

(i) by the substitution of sub-paragraphs (*d*) and (*e*) for the previous sub-paragraph (*d*), in order to bring the definition of 'the amount involved' into accord with the provisions of Article 2 (1) (*a*) and (*b*);

(ii) by the omission of the reference to an offer of securities for exchange which since the deletion of the reference to exchange in Article 6 by the Control of Borrowing (Amendment) Order, 1955, has been unnecessary.

The new Order came into operation on July 25th. It contains a misprint in Article 4 (1) where the expression 'paid shares' appears instead of 'partly paid shares'.

Income Tax Remittance Basis

A PERSON resident but not domiciled in the United Kingdom who has income arising abroad pays British income tax on it only in so far as it is remitted to this country. A curious lacuna in the legislation was disclosed by the decision of Mr Justice Wynn-Parry in *Thomson v. Moyse* (*The Times*, July 23rd, 1958). Mr Moyse was domiciled in the United States but resident in England. He was a beneficiary of his parents' estates in his home country and income from those estates was periodically paid into an account in his name in the Bank of New York. He would draw a cheque in dollars on that account on behalf of one or other of his bankers in England. He would then request the English bank to purchase the cheque. The latter, as an authorized dealer under the Exchange Control Act, 1947, then sold the amount in dollars of the cheque to the Bank of England and credited Mr Moyse's account with the sterling equivalent. Mr Moyse's English bank would then present his cheque to the Bank of New York who honoured the cheque and transferred the dollars in question to the account which the Bank of England had with the Federal Reserve Bank of the United States.

Assessments made on Mr Moyse in respect of these transactions as being remittances were on appeal discharged by the Special Commissioners. Affirming this decision, his lordship said he accepted the contention that it was no part of the transactions that dollars were to be brought to England. There was no evidence that dollars were in fact brought, but if they were, they were brought as the property of the Bank of England, not as the property of Mr Moyse. The English bankers acted as principals, not as the agents of Mr Moyse.

Preference Shareholders' Rights

CLAUSE 4 of Table A in the First Schedule to the Companies Act, 1948, provides that the rights of a class of shareholders may be altered with the sanction of a general meeting of the members of that class, and is a very common provision. Suppose that the rights of the holders of preference shares are cut down by the adoption of a new set of articles and full notice is given but no separate class meeting is called. Suppose further that the preference shareholders make no objection at the time; do they nevertheless retain their original rights? This was a question which arose in the voluntary liquidation of Hills & Sons Ltd, begun in 1957. Originally the preference shareholders had the right to share in surplus assets on winding-up, but in 1950 new articles were adopted which took away that right, although no separate class meeting, as required by the articles, was held. The preference shareholders claimed that the right was not effectively taken away, but Mr Justice Wynn-Parry held that in view of the fact that they had not taken steps to establish the right within a reasonable time after notice of the change, they could not now assert it. (*The Financial Times*, July 26th, 1958.)

Company's £1,328,853 Estimated Deficiency

AT the first meeting of creditors of Pena Industries Ltd, held on July 23rd, an estimated total deficiency of £1,328,853 was mentioned, of which £485,157 was to creditors and the balance issued capital. Mr F. M. Collins, Senior Official Receiver, said the company's financial operations seemed to have got out of control. Mr Nathan Albert resigned as a director and left the country in May. About July 8th, Mr Eli Karlin, a director, also departed overseas. Mr Collins refused to allow questions, saying that the police had been investigating the affairs of the company and its subsidiaries.

Formed in 1900 to acquire copper mines in Spain, the company (said Mr Collins) in 1955 sold its properties and undertaking for £123,577, and the loss on sale was nearly £79,000. He had not found that the directors invited shareholders to say whether they would like a return of capital in liquidation. Instead, Mr Karlin appeared, and before March 1956, the former directors had resigned and Mr Karlin's nominees had succeeded them. Mr Karlin became the company's financial adviser-in-chief, and managing director of Comcor Ltd, a company which later became the company's banker.

It had been said, continued Mr Collins, that upwards of forty subsidiaries or sub-subsidiaries were taken over or formed by Pena Industries, at a cost exceeding £878,000. Purchase considerations were largely satisfied by the issue of shares in Pena Industries. The cash was raised by borrowing from subsidiaries and their bankers, by discounting accommodation bills and hire-purchase agreements, by pledging shares acquired and by the disposal of subsidiary companies' assets. According to a statement of affairs the assets of Pena Industries were expected to realize £393,943. Liabilities were put at £879,100, including £712,515 to Comcor.

£15,790 Damages for Bank Manager's Negligence

AT Leeds Assizes on July 23rd, 1958, Mr Justice Salmon gave judgment for £15,790 with costs to Mr Railton Woods, 38, paint salesman, of Fern Avenue, Jesmond, Newcastle, on the ground of the negligence of Martins Bank Ltd and their Quayside branch manager, Mr Joseph Johnson, of Westwood Gardens, Kent, Newcastle. He granted a stay of execution for fourteen days.

His lordship said that but for Johnson's advice, Woods would never have made any investments in Brocks Refrigeration Ltd or given a guarantee in favour of F. Adamson, a subsidiary company. None of the advice came within measurable distance of being reasonably careful or skilful, and as a result of it Woods had lost £15,790. He (his lordship) was satisfied that the advice was not fraudulently given.

Gross Trading Profits each Quarter

IN the latest estimates put out for quarterly returns of national income and expenditure, a figure for company profits is given. These estimates for the first quarter of 1958 are the start of a new series and are the outcome of the request made by the Chancellor of the Exchequer in August 1956 (then Mr Macmillan), that the Inland Revenue should make an inquiry into quarterly profit statistics. They will now appear regularly each quarter. The sample is likely to be weighted for some time with larger companies and this itself may affect the validity of the series, but even if this is so, they are a statistical effort well begun.

The figures are given before providing for depreciation or stock appreciation and in the first quarter of this year, at £727 million, were 1 per cent lower than in the first quarter of 1957. Over the same period the gross national product increased by 3 per cent (by 6 per cent if the domestic figure alone is considered), while gross fixed capital formation at home went up by 8 per cent. As would be expected, it is profits, the residual item, which have taken the brunt of the recent sluggish trend in economic activity, the only other decline being registered in the value of physical increases in stocks and work in progress.

Estate Duty: Interest Falling into Possession

WHERE an estate includes an interest in expectancy, Section 7 (6) of the Finance Act, 1894, gives an option to defer payment of the estate duty on that interest until 'the interest falls into possession'. Suppose a fund is held on trust for A. for life, then for B. absolutely. B. predeceases A. and his executors exercise the option. A. subsequently purchases that expectant interest from B.'s executors, thus enlarging A.'s life interest into a present absolute interest. What duty (if any) falls to be paid by B.'s executors, when is it payable, and how should it be assessed? This, broadly speaking, was the problem in *Fry v. C.I.R.* (*The Times*, July 18th, 1958).

Mr Justice Danckwerts had held that the reversionary interest of B. would not fall into possession until A. died. B.'s executor appealed to the Court of Appeal who have now held that the reversionary interest fell into possession when A. bought it and the amount on which duty was to be assessed was the sum which A. gave for it, that being its value at the time.

New Statutes

AMONG the twenty-eight Acts which received the Royal assent on July 23rd was the Prevention of Fraud (Investments) Act, 1958, which consolidates the law in this sphere. The Variation of Trusts Act, 1958, which also passed into law, gives power to vary trusts; the object frequently being to avoid estate duty. The Costs of Leases Act, 1958, puts an end to the presumption that on the granting of a lease the lessee is under an obligation to bear the lessor's costs. The Divorce (Insanity and Desertion) Act, 1958, contains a provision designed to enable the parties to save income tax in respect of payments for the maintenance of children of divorced parents.

Credit Squeeze and the Small Concern

THE Association of British Chambers of Commerce have prepared a survey for the Radcliffe Committee which has been generally released as being of immediate interest to finance and industry. The subject of the survey was the effect of the credit squeeze since September 1957 and up to March 1958. Over that period Bank rate stood at 7 per cent.

At the beginning of March, 16,000 questionnaires were sent out and 3,600 came back completed by the middle of April. These have been analysed and a survey prepared for the Association by the National Institute of Economic and Social Research.

The broad conclusions of the survey are summarized as follows. The increase in Bank rate to 7 per cent had surprisingly little direct effect on industry and commerce, but the indirect effect, taken in conjunction with other factors, has been considerable. Second, small businesses were more severely affected than large ones and, not surprisingly, smaller concerns are less optimistic about the future in 1958 than are larger ones. Broadly speaking, it was those with less than 1,000 employees which returned the pessimistic replies and seemed the worst affected. Analysed by industrial groups, textiles, retail and wholesale concerns seem to have come off the worst.

Kenya Income Tax

AS indicated in 'African Commentary – IX' in our issue of July 19th, the Kenya Government has duly reconsidered the definition of companies liable to undistributed income tax. The Minister of Finance, Mr Vasey, has proposed that all companies in which 'genuine' members of the public have an interest of more than 25 per cent shall be excluded from the provisions. Companies which will be liable to undistributed income tax will be resident companies (other than subsidiary companies) in which the public is not substantially interested, and non-resident companies under the control of not more than five persons, all of whom are resident in East Africa.

The 'public' for this purpose will not include directors or secretaries of the company or any member (other than a non-controlled company) who holds shares carrying 20 per cent or more of the voting power, or which would entitle him to 20 per cent or more of the income of the company if the whole was distributed.

Better Outlook for Coal

AN encouraging report on the coal industry in 1958 was given in the House of Commons by the Parliamentary Secretary to the Ministry of Power in a debate on the annual report of the National Coal Board.

He said that the steps taken early this year by the N.C.B. to offset the fall in demand for coal had had heartening results. Three main steps were taken. Additional pits were closed, Saturday working was stopped and so was recruitment to the industry. In addition, an economy campaign was launched and this has proved successful. Although the number of men employed in the industry is significantly lower than last year, output per man-shift has increased by 3½ per cent. The result has been that the coal industry has been able to make a small profit in the early months of this year.

In closing the debate, the Paymaster-General said that the Government was being exceedingly critical now of applications to work open-cast sites and that a number of applications which would have been accepted in previous circumstances have been indefinitely deferred.

Reviews

Spicer and Pegler's Practical Auditing

Twelfth Edition by Walter W. Bigg, F.C.A.

Spicer and Pegler's Practical Book-keeping and Commercial Knowledge

Tenth Edition by W. W. Bigg, F.C.A., H. A. R. J. Wilson, F.C.A., and A. E. Langton, LL.B.(LOND.), F.C.A. (H.F.L. (Publishers) Ltd, London. 27*s* 6*d* net and 21*s* net respectively.)

The text of the new edition of the first of these two established textbooks has been reviewed carefully to allow for changes in auditing procedures occasioned by the Cheques Act, 1957, and other developments in the evolutionary process of streamlining accounting records. A new chapter has been added on 'the balance sheet audit' containing an explanation of the relationship of the balance sheet to the profit and loss account, the suggested heads for a balance sheet audit programme and examples of what should be provided in the audit working papers relevant to fixed assets, depreciation and debtors. The last three chapters – dealing in turn with special points to be observed in different classes of audits, the audit of the accounts of local authorities, and investigations – enhance, as before, the all-round usefulness of the book as a work of reference.

As in the case of *Practical Auditing*, the new edition of *Practical Book-keeping and Commercial Knowledge* has been carefully revised where necessary to bring it up to date. The chapters on the law relating to partnerships and to limited companies have been amplified and those on office organization, banking and exchange and the principles of investment have, in the light of recent developments, been substantially rewritten. Although the publishers assert that this textbook is no more than a primer of book-keeping and business methods, its range is considerable and the amount of useful information packed into its 450 pages is remarkable.

Who Owns Whom?

(O. W. Roskill & Co (Reports) Ltd, 14 Great College Street, Westminster, SW1. £4 4*s* 0*d*, post free.)

The elucidatory sub-title is 'a directory of the subsidiaries and associates of public companies in industry and commerce'. The subsidiary and associated companies – over 12,000 of them – are listed alphabetically in the first column. The second and third parallel columns are occupied by the names of the parent companies and code letters to indicate their industrial classification. Parent companies who are themselves subsidiaries are marked so that further reference to the first column may be made to ascertain who the grandparent of the sub-subsidiary is.

The value of this directory in an age when amalgamations and mergers are a regular feature of industrial expansion and when intensive competition makes it essential that companies should be aware of the ramifications both of their rivals and of their own suppliers and customers, is clear. The compilers believe that the information given is accurate as at May 31st, 1958, but realize that the same factors which justify the existence of such a list soon render it out of date. If the demand warrants it, they hope to issue revised editions at regular intervals in the future and it would seem that, among the various works of reference which supply particulars of company connections from the top downwards, there is certainly a place for one which does the same thing from, as it were, the bottom upwards.

Commercial Apprenticeship

by Harold Harman, B.COM. (Sir Isaac Pitman & Sons Ltd, London. 16*s* net.)

New Ways in Management Training

by Cyril Sofer and Geoffrey Hutton. (Tavistock Publications Ltd, London. 15*s* net.)

These two books have a common object and that is to improve the existing methods of management training so that the business leaders of the future may be of the highest calibre. *Commercial Apprenticeship*, described by the author in his preface as 'unashamedly propagandist', enumerates the essentials which, in his opinion, any plan for the recruitment and training of executive material must possess, and then goes on to give details of the main characteristics of some schemes now being operated by, among others, the County Commercial College, Wednesbury, of which Mr Harman is principal, and a number of large industrial organizations.

New Ways in Management is an account of a study carried out from 1954 to 1956 by the Tavistock Institute of Human Relations of the workings and development of the department of management and production engineering at Acton Technical College, London. The objectives of the exercise were to examine the function and possibilities of such a department in servicing industry; to examining in collaboration with the department its services and structure; and, finally, to determine 'the most effective feed-back mechanism' from industry to the department. After a comprehensive survey, the Institute came to the conclusion that under present conditions technical colleges, as a means of training students for management and for technical positions calling for 'an understanding of social relations', can play only a restricted role. This, the authors report, is due to the varying degrees of education attained by students before coming to the colleges, to the difficulty in obtaining teachers of outstanding ability and, also, to a certain lack of flexibility in the character and outlook of technical institutions on the one hand and industrial units on the other.

It seems evident from both of these books that despite the meritorious efforts being made by workers in this field, a new and more dynamic approach to the training problem will have to be made, and made quickly, if this country is to continue to produce industrial leaders of sufficient quality in sufficient quantity for its needs.

The Management Counsellor Speaks to You

by A. Godfrey Cruft, F.C.I.S., F.B.I.M. (W. & R. Chambers Ltd, London and Edinburgh. 15*s* net.)

Originally written as a series of articles in *The Scotsman*, the twenty-eight chapters of this book are intended to guide the owner-managers of small businesses along profitable paths. The author lives up to his own belief in the practical value of a critical approach to all business problems and the advice he has to give is clearly derived from first-hand experience. In common with most unpremeditated books which are compiled from newspaper articles, however, this one has no regular pattern. Each chapter is constructive but the narrative as a whole is not comprehensive. Notwithstanding, everything that Mr Cruft does say is very much to the point and his mixture, if regarded as a tonic rather than as a complete course of treatment, has much to commend it to the worried proprietor who cannot afford to call in a 'business doctor'.

Lectures on Economic Principles

Volume II by SIR DENIS ROBERTSON. (Staples Press Ltd, London. 16*s* net.)

This volume contains the second term's lectures on economic principles delivered by Sir Denis to second-year students at Cambridge. While the first volume dealt with the theory of value and equilibrium of the firm, this contains lectures on the theory of distribution. In other words, it covers what economic theory has to contribute on the subject of rewards to the factors of production, known to students as land, labour, capital and enterprise.

A third of the twelve lectures in this volume are rather difficult, but the good student will find them, like the others, most rewarding. The clarity of exposition and the attractively simple style are here, as in everything Professor Robertson writes, as well as the occasional little barbs to prick some pretentious balloon. This selection is for the theorist rather than the layman, but accountants who recall the contents of their economic primers of yesteryear may like to read what theorists are puzzling over at the present time. Economics specialists will consider themselves more than fortunate if the promised third volume on money proves as rewarding as the first two.

The Company Director

by Alfred Read, C.B.E., F.C.I.S., F.INST.D. (Jordan & Sons Ltd, London. 25*s* net.)

Like the interim monarchy in Barataria, the duties of directorship are delightful and the privileges great. The office also carries serious responsibilities, however, which new-comers to the boardroom, especially those who approach it by means of the peerage, politics, the army or the factory, do not always immediately appreciate. Here, then, is the book for all such innocents who require a reliable outline of their functions, powers and liabilities. It has been prepared under the authority of the Council of the Institute of Directors, and Lord Chandos sets the seal on the work by contributing a foreword. The author does not claim that it is a comprehensive guide but the fact that this is the third edition since it first appeared in 1953 shows that there is a real demand for a guide of this kind.

British Public Finance and Administration 1774–92

by J. E. D. Binney, D.PHIL. (Oxford University Press, London. 45*s* net.)

The might of a country is often measured by the way it handles its finances. Dr Binney calls his book an expedition into a 'relatively neglected wilderness in British history' and he charts his way through the obscurities of the late eighteenth-century Whitehall fiscal system with considerable skill. After a short account of the first reforms, notably the appointment of Commissioners of Public Accounts in 1780 and the appearance of other commissions and Parliamentary committees before the end of the century, he considers first how the country obtained its revenue and, next, how it dissipated it. Fact and comment are neatly blended and, after an exposition on the workings of the Treasury and the Exchequer, the focal points of the 'getting and spending' departments, he sums up the strength and weaknesses of the system and assesses the merits of each of the line of Ministers from Lord North to William Pitt in charge of its administration.

Although writing on a highly specialized theme and of a particularly complex period, Dr Binney's narrative never becomes diffuse. To have assembled and presented so much material in so concise and readable a form is a scholarly achievement.

RECENT PUBLICATIONS

AMERICAN INVESTMENT IN BRITISH MANUFACTURING INDUSTRY, by John H. Dunning, PH.D. 365 pp. 9×6. 35*s* net. George Allen & Unwin Ltd, London.

CONCISE OXFORD ATLAS. Second edition, prepared by the Cartographic Department of the Clarendon Press. xl+248 pp. 10½×8. 30*s* net. (U.K. only.) Clarendon Press; Oxford University Press, London.

THE RATING OF DWELLINGS – HISTORY AND GENERAL SURVEY, by H. G. Echart, F.I.M.T.A., F.S.A.A., W. Hayhurst F.I.M.T.A., F.S.A.A., E. L. Jones, F.I.M.T.A., and A. Shiner, F.I.M.T.A., A.S.A.A. 110 pp. 9×6. 25*s* post free. The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London, SW1.

Finance and Commerce

Lost in a Maze

ONE thing that is becoming increasingly recognized with present-day accounts is the limit to the amount of information that can usefully be given at one showing. This was acknowledged in the Institute's recommendation that balance sheet details might well be relegated to separate schedules. The dual balance sheet giving parent and consolidated figures can become unwieldy unless the greatest care is taken to preserve the individuality of the figures by good drafting and layout. One can become lost in a maze.

We have endeavoured this week to reproduce as closely to the original as possible the accounts of E.R.F. (Holdings) Ltd. This is the holding company of E.R.F. Ltd, manufacturers of heavy oil-engined vehicles.

The intention with these accounts is obviously good but as soon as one tries to put the intention into the concrete form of a printed sheet, the difficulty arises – which few companies have yet succeeded in overcoming – of presenting the figures in a way that enables the eye and the mind to appreciate what they mean. In a somewhat similar way, words present the same difficulty: their meaning can become lost in the maze.

Albert E. Reed

LITTLE notice has been taken in this column in recent years of the past 'histories' which some companies give with their annual reports. We refer to ten-year comparisons of profits and the like. With the £ losing its purchasing power year after year, these comparisons over a long period of years tend to lose touch with reality; their original purpose in the days of a more stable currency has been undermined.

For this reason, we welcome the introduction with the report of Albert E. Reed & Co Ltd, the paper-makers, for the year to March 31st, 1958, of a five-year comparison based on an index. Group profits, for instance, are shown as equalling 100 on the scale in 1954, with a solid black column. The column rises to nearly 150 in 1955, just crosses the 150 line in 1956, drops back below the 1955 level in 1957, and in 1958 is back practically to the 1954 level.

In similar form is shown 'Profit per ton of output', 'Total output of paper and converted products', and 'Group turnover'. Profit per ton in 1958 was not much more than half the 100 of 1954. Total output has risen each year from 100 to well over 150. Group turnover was over the 175 level in 1958 against 100 in 1954.

Comparison by Index

The index method of comparison is also used in a section showing 'Strength from diversity'. Under the heading 'Output of paper and board', separate graphs are given for printing and writing papers, packaging and industrial and special purposes.

The base of the index in this section is 100 in 1948, and the graphs show the increasing proportion of the national product which the group has accounted for. This pattern, it is pointed out, is vitally important to the present stability and future prospects of the group. By spreading its interests as widely as possible over the whole diverse field of paper and paper-board usage, by integrating its manufacturing and converting operations, and in particular by identifying itself more positively with developments of rising potential, the group is well placed to absorb any set-backs temporarily occurring in any one sector, while assuring itself of a major share in the industry's future expansion.

Sales Index

THE same sort of thing has been done in the report of Ferrybridge Industries Ltd, or, to be exact, in the statement by the chairman, Mr F. C. T. Lane, F.C.A.

'Our overall trade', he says, 'has shown a satisfactory increase, both in the home and export markets and as a measure of our sales expansion, the following table may interest you.'

The table takes the sales of 1953 as equal to a unit of £100 and gives the corresponding figures for the following years as: 1954, £131; 1955, £198; 1956, £222; and 1957, £300.

Pay Packets

FROM the information given with the accounts of the Richardsons Westgarth Group, we take 'Pay-packets and Profits'. Against 'Wages and salaries paid to employees' is tax deducted, £422,563, net £4,835,001. Against 'Profit ploughed back' is tax deducted, £601,658, net £345,001. And against 'Dividends paid' is tax deducted £209,342, net £283,230.

Exactly what conclusions are to be drawn from this relation of figures is not explained, but at least it has the merit of keeping on the level. Delving behind the figures given by some companies sometimes shows that gross wages have been stated in the same context as net dividends.

Next Week's Reprint

The accounts of Initial Services Ltd will provide the reprint in next week's issue.

E.R.F. (HOLDINGS) LIMITED AND ITS SUBSIDIARY

BALANCE SHEET, 31st MARCH, 1958

Parent Company E.R.F. (Holdings) Ltd. 31/3/57 £	Changes £	31/3/58 £		Consolidated Account, Parent and Subsidiary 31/3/57 £	Changes £	31/3/58 £
			CAPITAL EMPLOYED			
			ORDINARY SHARES (Authorised and Wholly Issued)			
250,000	—	250,000	One Million Shares, 5/- each, fully paid	250,000	—	250,000
			CAPITAL RESERVE ACCOUNTS			
—	—	—	Excess of book value of subsidiary over cost of acquisition	256,069	—	256,069
15,000	+ 5,000	20,000	Sinking Fund for redemption of Debenture Stock	15,000	+ 5,000	20,000
310	—	310	Discount on Debenture Stock purchased	310	—	310
—	—	—	**REVENUE RESERVES**	196,066	+ 63,108	259,174
265,310	+ 5,000	270,310	**BOOK VALUE OF EQUITY**	717,445	+ 68,108	785,553
230,000	— 5,000	225,000	5½% Debenture Stock, 1969/79 (See Note 2)	230,000	— 5,000	225,000
495,310	—	495,310	**TOTAL CAPITAL EMPLOYED**	947,445	+ 63,108	1,010,553
			EMPLOYMENT OF CAPITAL			
			FIXED ASSETS AT COST:—			
514,500	—	514,500	Investment in Subsidiary at cost	—	—	—
—	—	—	Freehold Land, Buildings, Plant and Office Furniture	153,842	+ 16,762	170,604
—	—	—	*Less* Depreciation on Buildings, Plant and Office Furniture	88,904	+ 8,200	97,104
				64,938	+ 8,562	73,500
6,384	—	6,384	Preliminary Expenses	6,384	—	6,384
520,884	—	520,884		71,322	+ 8,562	79,884
			CURRENT ASSETS			
—	—	—	Stock-in-Trade and Work in Progress as valued by Managing Director	604,284	— 2,609	601,675
—	—	—	Investments in Building Societies	41,151	+ 274	41,425
—	—	—	Investments at Cost	142,098	—	142,098
—	—	—	Trade Debtors *less* Provisions	152,900	— 12,989	139,911
58,536	+ 3,288	61,824	Due from Subsidiary	—	—	—
—	—	—	Tax Reserve Certificates	71,600	+ 13,400	85,000
—	—	—	Bills Receivable	34,646	+ 4,415	39,061
54,288 (Dr.)	— 3,496	57,784 (Dr.)	Cash at Bank and in Hand	188,454	— 5,486	182,968
4,248	— 208	4,040	**TOTAL**	1,235,133	— 2,995	1,232,138
			Less **CURRENT LIABILITIES AND PROVISIONS**			
28,750	—	28,750	Proposed Ordinary Dividend	28,750	—	28,750
1,072	— 208	864	Trade Creditors	227,335	— 46,866	180,469
—	—	—	Accrued Taxation	19,175	— 675	18,500
29,822	— 208	29,614	**TOTAL**	275,260	— 47,541	227,719
25,574 (Dr.)	—	25,574 (Dr.)	**NET CURRENT ASSETS**	959,873	+ 44,546	1,004,419
495,310	—	495,310	**TOTAL FIXED ASSETS AND NET CURRENT ASSETS**	1,031,195	+ 53,108	1,084,303
—	—	—	*Less* Deferred Income Tax Liability on Profits for year to date	83,750	— 10,000	73,750
495,310	—	495,310	**NET ASSETS**	947,445	+ 63,108	1,010,553

Notes:

(1) Contracts outstanding for Capital Expenditure .. .. Nil Nil

(2) The Debentures are secured by a first specific charge on the Freehold Properties and a floating charge on all Assets of the Operating Company and are repayable by an annual non-cumulative Sinking Fund of £5,000 p.a.

(3) Written down value of Fixed Assets:—

	COST				DEPRECIATION				WRITTEN DOWN VALUE	
	As at 31/3/57 £	During Year Additions £	During Year Sales £	As at 31/3/58 £	As at 31/3/57 £	During Year Depn. £	During Year on Sales £	As at 31/3/58 £	As at 31/3/57 £	As at 31/3/58 £
Land and Buildings	53,922	13,370	—	67,292	32,750	3,454	—	36,204	21,172	31,088
Houses	19,823	—	—	19,823	10,544	928	—	11,472	9,279	8,351
Plant	52,880	2,361	—	55,241	29,833	2,541	—	32,374	23,047	22,867
Office Furniture	8,105	578	55	8,628	4,330	434	35	4,729	3,775	3,899
Motor Vehicles	19,112	3,393	2,885	19,620	11,447	2,432	1,554	12,325	7,665	7,295
	153,842	19,702	2,940	170,604	88,904	9,789	1,589	97,104	64,938	73,500
Less Depreciation on Assets Sold			1,589							
Written Down Value			1,351							
Proceeds of Sales			2,024			673	Profit on Sales			
						9,116	Charge to Profit and Loss Account			

(4) Market Value of Investments £123,625 £119,875

D. FODEN
E. P. FODEN } *Directors*

24th June, 1958

E.R.F. (HOLDINGS) LIMITED AND ITS SUBSIDIARY

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1958

Parent Company, E.R.F. (Holdings) Ltd. 1956/57 £	Parent Company, E.R.F. (Holdings) Ltd. 1957/58 £		Consolidated Account, Parent and Subsidiary 1956/57 £	1956/57 £	1957/58 £	1957/58 £
		After charging the following:—				
		Depreciation	8,919		9,116	
		Directors' Remuneration	9,451		10,035	
			18,370		19,151	
—	—	Net Trading Profit was		198,337		189,376
—	—	*Add* Investment Income		9,277		10,863
63,062	62,650	Dividend Receivable from Subsidiary Company		—		—
1,563	1,650	Management Charge from Subsidiary Company		—		—
5,000	5,000	Sinking Fund Instalment from Subsidiary Company		—		—
69,625	69,300	Total		207,614		200,239
13,062	12,650	*Less* Debenture Interest (Gross)	13,062		12,650	
650	650	Directors' Fees	650		650	
913	1,000	Sundry Management Expenses	913	14,625	1,000	14,300
55,000	55,000	Net Profit before Taxation		192,989		185,939
21,250	21,250	*Less* Income Tax on profits of year to date	81,431		70,606	
—	—	Profits Tax on profits of year to date	5,675	87,106	4,975	75,581
33,750	33,750	Net Profit after Taxation		105,883		110,358
5,000	5,000	*Less* Sinking Fund Instalment for redemption of Debenture Stock		5,000		5,000
		Ordinary Dividend for the year (Gross)	50,000		50,000	
		Less Income Tax at 8/6 in £	21,250		21,250	
28,750	28,750	Net amount of Dividend	28,750		28,750	
—	—	*Add* Profits Tax thereon	13,500		13,500	
				42,250		42,250
Nil	Nil	Profits Retained		58,633		63,108

CITY NOTES

ALTHOUGH the stock-markets have recovered well from the heavy set-back brought about by the events following the Iraqi revolt, the Middle East situation still dominates the investment scene. Russia's new thinking on Summit talks has brought renewed political uncertainty.

While the international situation provides the major influence on the markets, developments in the economic sphere are also affecting sentiment. The steel industry's doubts on whether industrial expansion will be sufficient to support its £600 million expansion programme have been voiced at a time when the Government's free credit measures are about to be brought into operation and when Sir David Eccles has impressed upon O.E.E.C. countries the need for policies of economic re-expansion.

Meanwhile freer credit conditions have permitted the long-delayed entry of the 'Big Five' banks into the field of hire-purchase finance. Barclays Bank's acquisition of a substantial investment in United Dominions Trust is accepted as being the forerunner of similar moves by other banks.

The impression is that investment in hire-purchase finance companies may prove a prelude to more direct interest by the banks in this form of credit financing. But for credit and Capital Issues Committee restrictions a move towards this end would have been made long before now.

Barclays' move has naturally brought hire-purchase finance shares into the forefront of investment reckoning.

RATES AND PRICES

Closing prices, Wednesday, July 30th, 1958

Bank Rate

Jan. 27, 1955	3½%	Sept. 19, 1957	7%
Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%

Treasury Bills

May 23	£4 16*s* 5·96*d*%	June 27	£4 5*s* 10·67*d*%
May 30	£4 16*s* 3·84*d*%	July 4	£4 3*s* 5·23*d*%
June 6	£4 14*s* 5·72*d*%	July 11	£4 0*s* 3·79*d*%
June 13	£4 10*s* 1·77*d*%	July 18	£4 4*s* 11·39*d*%
June 20	£4 5*s* 9·63*d*%	July 25	£4 3*s* 2·26*d*%

Money Rates

Day to day	3¼–4¼%	*Bank Bills*	
7 days	3¾–4%	2 months	4 5/16–4⅜%
Fine Trade Bills		3 months	4 5/16–⅜%
3 months	5–5¼%	4 months	4 5/16–⅜%
4 months	5–5½%	6 months	4 5/16–4 7/16%
6 months	5¼–6%		

Foreign Exchanges

New York	2·80½–9/16	Frankfurt	11·67½–¾
Montreal	2·69 5/16–7/16	Milan	1736¾–7¼
Amsterdam	10·56⅛–⅜	Oslo	19·98¾–·99
Brussels	139·02–·03	Paris	1174⅝–⅞
Copenhagen	19·32½–¾	Zurich	12·19½–¾

Gilt-edged

Consols 2½%	50⅜	Funding 4% 60–90	86⅞
Consols 4%	73⅞x.d.	Savings 2½% 64–67	81¼
War Loan 3½%	67⅛	Savings 3% 55–65	88 15/16 x.d.
Conversion 3½%	67⅜	Savings 3% 60–70	77½x.d.
Conv'sion 3½% 1969	84¾x.d.	Savings 3% 65–75	72⅜x.d.
Exchequer 5½% 1966	102 11/16	Treasury 2½%	50
Funding 3% 66–68	81¾x.d.	Treasury 3½% 77–80	74¾x.d.
Funding 3% 59–69	81 1/16	Treas'ry 3½% 79–81	74¾x.d.
Funding 3½% 99–04	71⅞	Victory 4%	92⅜x.d.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Electronic Accounting

SIR, – The notes on *Accounting by Electronic Methods* issued by the Council of the Institute and reproduced in your issue of July 12th, contain much interesting information, but include certain observations which call for amplification.

For example, under 47 (*f*) the notes include among expenditures 'the additional cost incurred by running the new and the old systems in parallel for an initial period'. It should be accepted by now that computer operations have passed the experimental stage, and once it is decided to put, e.g. a payroll on to a computer, then it must be understood that the computer is perfectly capable of doing the job, given a satisfactory programme. True, certain snags will appear during the first computer-prepared payroll which will have to be put right, but this is in no way comparable with duplicating its operations.

A more important point arises out of 54 (*b*) (i), which states that one of the disadvantages of operating E.D.P. is 'the absence of written records of many intermediate operations and results'. If the authors mean by this the intermediate calculations, then the disadvantage is a minor one, comparable with the customary practice of throwing away the scraps of paper on which a multiplication or division has been done. If anything more than this is meant, however, then it seems that auditors will have to pay close attention to the clerical system in use, in order to make sure that records exist somewhere within the organization from which the computer's processes can be reconstructed, and its results checked.

One of the factors which has prevented the growth of mechanized accounting in this country has been an inability to treat accounting machines as machines, and to adopt engineering methods and standards when organizing their installation. The problem of installing a computer to handle figures for accounting purposes is very similar to the problem of installing a computer to operate transfer-tools, and should be approached in the same way. Otherwise we shall find either a slavish adherence to 'private ledger' book-keeping practices which restricts the effectiveness of any equipment, or else a 'single-entry' development which throws the baby of accounting out with the bath-water of journals and day-books.

Yours faithfully,
KENNETH S. MOST.
London, SW10.

Ended or Ending?

SIR, – May I point out to Miss Jeffrey (July 26th issue) that a profession which, justifiably, prides itself on the accuracy of its figures should also pride itself on the accuracy of its descriptions and its English. How can there be such accuracy if the headings of accounts, which are historical, are to be made 'consistent' with the headings of forecasts, which are not? To describe the shape of an orange as 'an oblate spheroid' is certainly consistent, but not necessarily accurate – witness the differences in shape between Mandarin, Seville, and Jaffa oranges. This is another case where consistency is not compatible with accuracy.

Yours faithfully,
London, WC1. GEORGE LITTLECHILD.

SIR, – It seems to me that 'ended', used as a past participle, is grammatically correct and should be applied to a period already completed; but what I think may be wrong is the omission of 'on' before the date. Should we not, for example, write 'for the year ended on 31st December, 1957'; or would this be pedantic?

Yours faithfully,
Bristol, 3. P. V. ROBERTS.

The Institute of Internal Auditors

SIR, – About a year ago you granted us the hospitality of your columns so that we could inquire about the prospects of forming chapters in the United Kingdom additional to the one in London which for the past ten years has been part of The Institute of Internal Auditors. The Institute was formed in 1941 and now has chapters in four of the five continents with a total membership of about 4,000. In January of this year we were pleased to be able to form the Manchester Chapter.

Inquiries that have arisen during the last twelve months encourage us to undertake the formation of chapters in Glasgow, Birmingham and Newcastle upon Tyne and meetings (of which due notice will be given) will be held in these three cities in late September and October of this year.

Chapter activities consist of about nine monthly meetings per annum at which papers are read by members and guest speakers with subsequent discussions. Membership includes the free receipt of the Institute's quarterly issue *The Internal Auditor* which runs to some eighty pages per issue and certain publications such as conference papers.

Full membership is available to those who perform administrative or supervisory internal auditing functions and to others who are qualified by experience and professional training.

Any reader who is interested and would actively support a chapter is asked to write to the European Regional Vice-President, Mr W. J. Smith, C.A., Chief Internal Auditor, British Overseas Airways Corporation, London Airport, Bath Road, Hounslow, Middlesex. Those who have already written during the last twelve months need not do so again.

Yours faithfully,
W. J. SMITH,
EUROPEAN REGIONAL VICE-PRESIDENT.
J. O. DAVIES,
London. PRESIDENT, LONDON CHAPTER.

Written-down Value

SIR, – The article, 'Written-down value tables', by Mr K. G. Beaumont, A.C.A., in *The Accountant* dated June 21st, is interesting for the novel way it deals with these calculations.

However, it does seem that an even simpler method can be used. The tables following this letter show the percentages remaining to be written off an item of expenditure and are used as follows:

Company year-end December 31st.

Example (*a*) Plant purchased for £91,365 in January 1953.

What is the written-down value as at December 31st, 1956? As indicated by 'x' Table A covers expenditure incurred in January 1953, and since it has had four years use one selects from this table the percentage applicable at the end of the fourth year, viz. 58·6182 per cent.

Calculation:

58·6182 per cent of £91,365 = £53,557 = Written-down value as at 31.12.56.

Example (*b*) Plant purchased for £456,000 in November 1953.

What is the written-down value as at December 31st, 1957? As indicated by 'x' Table B covers expenditure incurred in November 1953 and since it has had five years use one selects from this table the percentage applicable at the end of the fifth year, viz. 39·5672 per cent.

Calculation:

39·5672 per cent of £456,000 = £180,426 = Written-down value as at 31.12.57.

Example (*c*) Plant purchased for £16,209 in May 1958.

What will be the written-down value as at December 31st, 1965, assuming current annual allowance remains in force to that date? As indicated by 'x' Table C covers expenditure incurred in May 1958 and by December 31st, 1965, would have been in use for eight years. Therefore select the percentage applicable at the end of the eighth year, viz. 22·5800 per cent.

Calculation:

22·5800 per cent of £16,209 = £3,660 = Estimated written-down value as at 31.12.65.

Example (*d*) Plant purchased for £35,000 in 1951.

What is the written-down value as at December 31st, 1957? As indicated by 'x' Table D covers expenditure incurred in 1951 and since it has had seven years' use one selects from this table the percentage applicable at the end of the seventh year, viz. 21·3178 per cent.

Calculation:

21·3178 per cent of £35,000 = £7,462 = Written-down value as at 31.12.57.

To quote Mr Beaumont's example, a table is obtained, thus:

Expenditure incurred in July 1949:

	per cent
Annual Allowance 5/4ths of 7½% =	9·3750
Initial ,,	40·0000
	49·3750

Therefore:

At the end of year 1 there remains	50·6250
2	45·8789
3	41·5778
4	37·6799
5	34·1474
6	30·9461
7	28·0448
8	25·4156

(and so on)

Calculation:

25·4156 per cent of £4,274 = £1,086 = Written-down value as at 31.3.57.

It is not a difficult task to compile such tables for use with any combination of annual and initial allowances and thereafter a calculation to obtain a written-down value is completed within seconds.

Yours faithfully,
C. L. DOVE.
London, W10.

The tables compiled by Mr Dove and referred to in his letter are shown below:

PLANT AND MACHINERY: U.K. TAXATION

A percentage ready reckoner for ascertaining the written-down value of capital expenditure incurred since April 7th, 1944, and on which capital allowances (annual and initial) have been claimed.

	TABLE A	TABLE B	TABLE C	TABLE D
	I.A. NIL A.A. 12½%	I.A. 20% A.A. 12½%	I.A. 30% A.A. 12½%	I.A. 40% A.A. 12½%
Expenditure:				
7.4.44– 5.4.49		x		
6.4.49– 5.4.52				x
6.4.52–14.4.53	x			
15.4.53– 6.4.54		x		
7.4.54–17.2.56 New	x			
7.4.54–17.2.56 Secondhand		x		
18.2.56–14.4.58		x		
15.4.58			x	
Years 'In Use'	*per cent*	*per cent*	*per cent*	*per cent*
1	87·5000	67·5000	57·5000	47·5000
2	76·5625	59·0625	50·3125	41·5625
3	66·9922	51·6797	44·0234	36·3672
4	58·6182	45·2197	38·5205	31·8213
5	51·2909	39·5672	33·7054	27·8436
6	44·8795	34·6213	29·4922	24·3632
7	39·2696	30·2936	25·8057	21·3178
8	34·3609	26·5069	22·5800	18·6531
9	30·0658	23·1935	19·7575	16·3215
10	26·3076	20·2943	17·2878	14·2813
11	23·0192	17·7575	15·1268	12·4961
12	20·1418	15·5378	13·2360	10·9341
13	17·6241	13·5956	11·5815	9·5673
14	15·4211	11·8962	10·1338	8·3714
15	13·4935	10·4092	8·8671	7·3250
16	11·8068	9·1081	7·7587	6·4094
17	10·3310	7·9696	6·7889	5·6082
18	9·0396	6·9734	5·9403	4·9072
19	7·9097	6·1017	5·1978	4·2938
20	6·9210	5·3390	4·5481	3·7571

Notes and Notices

PERSONAL

Messrs Bristow, Sturge, Roberts, White & Co, Chartered Accountants, announce that as from July 28th, 1958, they have removed their offices from 14 Clarges Street, Mayfair, London, W1, to 9 Harley Street, London, W1. Telephone: Museum 3833. They also announce that they have taken into partnership Mr F. T. Cain, A.C.A., who has been a senior member of their staff for a number of years.

PROFESSIONAL NOTES

Mr William Shuttleworth, A.C.A., chief accountant of Owen Owen Ltd, of Liverpool, has been appointed to the board of the company.

Mr C. A. Lyon, A.C.A., group secretary of Mappin & Webb Ltd, has been appointed a director of Robinson & Cleaver Ltd.

Mr Henry A. Benson, C.B.E., F.C.A., a partner in the firm of Cooper Brothers & Co, Chartered Accountants, of London, has been appointed by the Minister of Power to undertake on his behalf an inquiry into the methods adopted by the London Electricity Board for the disposal of scrap cable and into allegations which have been made regarding these matters.

Mr L. J. Culshaw, F.C.A., and Mr J. F. T. Nangle, F.C.A., have been appointed the auditors of the accounts of the British Transport Commission for the year ending December 31st, 1958.

Professor Robert Browning, M.A., LL.B., C.A., has been appointed chairman of the East Kilbride Development Corporation as from August 8th. Professor Browning, who has been Professor of Accountancy at Glasgow University since 1950, and is senior partner in the firm of John E. Watson & Co, Chartered Accountants, is also a member of the Cumbernauld New Town Development Corporation.

OBITUARY

Robert Gordon Simpson, M.C., C.A.

It is with regret that we record the death in Edinburgh on Tuesday of Mr Robert Gordon Simpson, M.C., C.A., a former President of The Institute of Chartered Accountants of Scotland.

Mr Simpson was aged 71 and was senior partner in the firm of Chiene & Tait, Chartered Accountants, of Edinburgh. He was educated at Edinburgh Academy and in 1911 was admitted to membership of the former Society of Accountants in Edinburgh; he joined the firm of Chiene & Tait in the following year. During the First World War, he served with The Royal Scots and was awarded the Military Cross. In the Second World War he was a member in 1941–42 of the Beveridge Committee on Skilled Men in the Forces.

Mr Simpson was President of The Society of Accountants in Edinburgh at the time of the amalgamation in 1951 of the three former Scottish accountancy bodies and became the first President of the Scottish Institute. He was well-known as chairman of a number of investment trust companies and was also a director of other companies.

ADVERTISEMENT MANAGER OF *THE ACCOUNTANT*

Mr Peter Gee-Heaton, who has been Advertisement Manager of *The Accountant* for the past ten years, has been appointed a director of Gee & Co (Publishers) Ltd. He will continue with his duties as Advertisement Manager as in the past.

TRIBUTE FROM PIONEER MOTORISTS

When The Circle of 19th Century Motorists held their annual luncheon at the Royal Automobile Club recently, the President, Lieut.-Col. T. B. Browne, O.B.E., presented a green onyx cigarette case to Mr J. Duncan Ferguson, F.C.A., who is honorary auditor of the organization.

Mr Ferguson, who is senior partner in the firm of Andrew W. Barr & Co, Chartered Accountants, has dealt with the accounts of the Circle for over thirty years.

THE PROFESSIONAL CLASSES AID COUNCIL

The Council's report for the year ended March 31st, 1958, records that the total available income for the year amounted to £19,072 (as against £21,597 last year). The total expenditure amounted to £21,157 (£22,450) comprising £15,922 for relief of all the several kinds mentioned in the report, £3,745 for administration costs and £1,490 for other expenses, including appeals and publicity, rates and property repairs.

During the year, 354 applicants received financial aid. In addition to general assistance given in cases of distress, grants were made for the education of children and training of students and for additional help in the cases of elderly and infirm people.

The address of the Council is 20 Campden Hill Square, London, W8.

GOLF

The golf fixture between the Manchester and Liverpool Societies of Chartered Accountants, was revived on July 24th, when an 18-hole fourball-foursome match was played at the Wilmslow Golf Club, Cheshire. Manchester won by three matches to two with one halved.

Results: (Manchester Society names first)

G. Ainscow and R. K. Hamilton halved with J. A. Colvin and C. C. Taylor. A. E. Armitage and K. L. Horton beat L. D. Hayward and F. D. M. Lowry 1 hole. D. Bolton and F. J. Haslam beat D. K. Adams and J. M. Murray 2 and 1. A. F. Kearns and P. H. Owen lost to G. Eccles and E. Saunders 2 holes. A. Eglin and F. A. Sherring lost to P. Jeffrey and W. S. Wicks 4 and 3. G. A. Bell and W. H. Hill beat W. A. Airey and R. C. Johnston 4 and 3.

Meeting in Ireland

At the recent annual meeting of the Chartered Accountants in Ireland Golfing Society at the County

Sligo Golf Club, Rosses Point, the competition results were as follows:

Smyly Cup:
J. Bacon (12), 2 down.
H. Stevenson (10), 3 down (runner-up on second nine).
N. G. White (18), 3 down.

Quin Cup (Stableford):
S. H. Loughlin (16), 29 pts. (won on second nine).
M. H. Stewart, 29 pts.
W. S. Orr, 28 pts.

The North *v.* South Cup was won by South with a score of 153 points against 145 points for North.

At the annual business meeting, Mr H. Chesley Boyd, F.C.A., was elected Captain for the ensuing year. It was decided to hold the 1959 meeting at Rosses Point during the week-end of May 22nd to 25th.

CRICKET

BRISTOL C.A.S.S. *v.* SOUTH WALES AND MON. C.A.S.S.

A match played recently at Bristol between The Bristol Chartered Accountant Students' Society and The South Wales and Monmouthshire Chartered Accountant Students' Society resulted in a draw.

Bristol won the toss and elected to bat, scoring 205 for 9 declared (Blake 54, Castle 49, Hann 55). The Welsh side, after making a great effort to score the runs required, were content to draw the match and scored 173 for 8 (Flay 31, Cole 29, Hann 5 for 41).

C.A.S.S. OF LONDON *v.* KING'S COLLEGE, CAMBRIDGE

In an all-day game played on July 22nd at Cambridge, The Chartered Accountant Students' Society of London, having won the toss, put King's College in to bat on a placid wicket. Admirable bowling by James (6-61) – who bowled unchanged throughout the innings – restricted the home side to a moderate total of 150. With a little over two hours in which to get the necessary runs London, in their bid to beat th clock after a steady start, lost nine wickets in scoring 109. The match ended in a draw.

Scores:
King's College 150 for 9 declared (Bacon 41 not out, Carter 36, James 6 for 61).
C.A.S.S. of London, 109 for 9 (Chester 22, Styles 20, Alexander 6 for 25).

TENNIS

A tennis match played between the Portsmouth and District and the Southampton and District Chartered Accountants' Students' Societies at Portsmouth on July 26th resulted in a win for the Southampton Students.

The teams consisted of three pairs and each pair played each of the opposing pairs the best of one long set.

Portsmouth Students	*won*
I. Chinnery and C. Weeks	3
C. Everett and P. Rea	1
R. Benson and A. Dickinson	0
	4

Southampton Students	*won*
M. Gordon and R. Niddrie	2
R. Brooke and J. Fisher	2
T. Dovey and R. Janes	1
	5

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Owing to mounting pressure of work, Mr J. V. Wilson, A.C.A., has been obliged to resign from the Committee. The Committee will miss his help in their discussions. Mr Wilson came to the Committee from the Incorporated Students' Society. In accordance with the integration rule, his place will therefore lapse.

Integration Members

Many members of the Incorporated Students' Society have not yet registered with this Society. They should do so as soon as possible so that they can be notified of the Society's autumn meetings. No entrance fee is payable and they will not be required to pay a subscription until their formal registration at the Institute has been completed. They should complete and return the yellow form already issued to them.

Extension of Activities

Sub-committees are engaged at the present time in general reviews of the four branches and of the social activities carried on under the auspices of the Society. The social activities sub-committee has made an interim recommendation which has been accepted by the main Committee, that, in addition to the usual annual dinner, an informal students' dinner be held on a small scale and on friendly lines to take place about the middle of October. Arrangements are now being made and will be announced with the autumn programme. If the experiment is successful, a series of such small get-together occasions will be planned.

In addition there will be lunch-time meetings which have been arranged for the autumn session to enable members to meet the Committee and talk with them on suggestions and criticisms.

Autumn Session

In addition to these new fixtures, the organization of the usual lecture courses, mock meetings, President's Meeting and annual dinner is approaching completion in preparation for the autumn session. Suggestions for improvements are always welcome.

Summer Dance

The summer dance at Taggs Island was an enjoyable and successful function. A summer dance will again be organized for 1959. Improvements which have been suggested will be incorporated.

Silk Tie. Members will be glad to know that purchase tax reduction has made it possible to reduce the price of the Society's silk tie to 17*s* 6*d*.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Results of Examinations held in May 1958

FINAL EXAMINATION

Held on May 27th, 28th, 29th and 30th, 1958

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute prize, the W. B. Peat Medal and prize and the Frederick Whinney prize
Lawrence, Timothy Gordon Roland (B. J. Davis), London.

Second Certificate of Merit, the Walter Knox Scholarship and the Plender prizes for the papers on Advanced Accounting (Part I) and English Law (Part II)
Donovan, Arthur James (H. Darrell), Croydon.

Third Certificate of Merit and the Plender prize for the paper on General Financial Knowledge, Cost and Management Accounting
Green, Leonard Walter (C. Halpern), London.

Fourth Certificate of Merit
Jones, John Trevor (F. H. Walsh), Burnley.

Fifth Certificate of Merit
Smith-Wright, Richard Dayrell (S. W. Penwill), London.

Sixth Certificate of Merit
Rawlinson, Charles Frederick Melville (A. E. Limehouse), Rugby.

Seventh Certificate of Merit
Abbott, John (J. G. Simpkins), Exeter.

Eighth Certificate of Merit
Gooch, Anthony John (H. G. Martin), London.

Full List of Names of Successful Candidates

(in alphabetical order)

*Abbott, J. (J. G. Simpkins), Exeter.
Abd El-Motaal, M. H. B. (A. G. Fenton), London.
Ablett, J. R. (W. H. H. Hutchinson), Hull.
Abrahams, A. (H. Sainer), London.
Ahern, E. G. (J. D. George), London.
Aindow, P. G. (C. O. Reay), Liverpool.
Allen, A. R. (J. S. Black), London.
Amos, A. R. (D. V. House), London.
Andrews, B. S. (B. J. Flint), Wolverhampton.
Ankers, T. M. (E. T. Bridge), Manchester.
Appleby, A. R. (W. C. Craig), York.
Armstrong, H. C. A. (A. G. T. Oakley), London.
Armstrong, J. S. (L. G. Spencer), Newcastle upon Tyne.
Arnold, G. F. (T. L. Plewman), Leicester.
Arnold, R. T. (J. W. Shock), London.
Ash, E. B. (A. F. Newton), London.
Ashton, P. W. (R. Holden), Blackburn.
Astin, J. C. (A. E. Spencer), Leicester.
Atkins, C. R. (G. W. Smith), Huddersfield.
Atkinson, D. M. (G. Bostock), London.
Attree, A. H. (G. P. Clarke), London.
Austin, A. (K. F. J. Slade), Birmingham.
Austin, D. G. (J. K. Ashton), Chorley.

Baddar, T. N. (E. S. Bedell), Manchester.
Bailey, E. R. (D. R. Clack), London.
Bailey, G. (J. A. Lee), Worksop.
Bakerman, W. (L. King), Liverpool.
Baldwin, B. A. (W. R. G. Weaver), London.
Banton, A. (J. Hague), Manchester.
Barker, W. E. (J. Park), Manchester.
Barnes, D. J. (F. E. Francis), Leamington Spa.
Barnes, H. E. M. (K. P. Ney), London.
Baron, A. R. W. (J. R. Briggs), London.
Barritt, A. D. (G. Magnay), Newcastle upon Tyne.
Barsham, E. S. (A. J. Barsham), London.
Barter, M. T. (J. Allen), London.
Bastiman, R. M. (F. C. B. Ashby), Scarborough.
Bates, W. A. (H. Dowd), Liverpool.
Baxter, G. A. E. (M. G. Bekenn), Birmingham.
Beard, P. L. (B. C. Muggleton), Birmingham.
Beese, D. A. (C. R. Daniel), Cardiff.
Bell, J. I. (L. J. Osmond), London.
Benedict, P. H. (H. Goodier), London.
Best, G. (F. H. Duckett), Leeds.
Billingham, D. J. (F. W. Guest), Birmingham.
Bingham, D. E. (A. R. Armstrong), Manchester.
Bird, H. A. (W. D. Richey), Birmingham.
Bishop, A. D. (W. H. D. Campbell), London.
Bishop, R. W. (V. H. Frank), London.
Biswas, N. G. (S. Sherwood), Croydon.
Bloom, D. S. (G. C. Toulmin), Brighton.
Blouet, G. L. (R. Cuttle), Chelmsford.
Blundell, H., Southport. (*S*)
Boddy, F. J. R. (F. Hyatt), Sheffield.
Booth, E. (F. Hartley), Leeds.
Borg, N. (H. M. Hawthorne), London.
Borrett, J. E. (J. D. Liggatt), London.
Boty, J. W. (A. A. A. Boty), Croydon.
Bowesman, R. H. (E. A. Savage), Bristol.
Boyd, I. M. (E. Portlock), London.
Bracken, P. W. (W. J. Lawrence), Basingstoke
Bradley, W. C. (J. C. Parsons), Birmingham.
Brayshaw, M. S. (G. St. C. Wycherley), Wolverhampton.
Brereton, D. C. (G. E. Barrett), Manchester.
Brett, R. M. A. (H. Lakeman), London.
Brown, C. M. E. (O. W. Horne), Portsmouth.
Brown, J. O. (J. D. Brown), London.
Brown, M. J. R. (R. C. Methold), Worthing.
Bryce, A. G. (J. N. Haworth), Manchester.
Bucknall, M. J. (E. B. Langford), Portsmouth.
Butler, S. M. (G. Ford), Bournemouth.
Butterworth, G. F. (E. S. Foden), Cardiff.
Butts, J. E. (J. C. Lees), Birmingham.

Cairns, D. J. (D. T. Veale), Leeds.
Calder, J. (C. L. Oliver), South Shields.
Carey-Wood, A. J. (A. W. Miles), Bournemouth.
Carpenter, B. R. (C. H. Mitchell), London.
Carrington, P. J. (W. Archer), Manchester.
Carruthers, R. P. (P. N. Greene), Chester.
Carter, N. A. (H. L. Simpson), Huddersfield.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Castle, D. M. B. (S. M. Duncan), London.
Cecil, C. D. (F. L. K. Crowe), Weston-super-Mare.
Champion, M. J. (L. S. Newth), London.
Cheetham, J. H. (C. E. W. Lavender), Nottingham.
Childs, R. (L. Bull), Rochester.
Chorley, R. R. E. (The Hon.), (S. J. Pears), London.
Chubb, A. W. (J. A. Holmes), Sheffield.
Clark, D. C. (S. R. Hogg), London.
Clarke, G. W. (A. E. B. Foxwell), Kettering.
Cocker, W. (S. K. Stott), Manchester.
Cockroft, J. D. (G. H. Fowler), Grimsby.
Coe, M. J. (A. Beatton), London.
Collier, P. (H. Heywood), Macclesfield.
Collins, S. (K. Paterson), Sheffield.
Cope, K. (S. Bartfield), Leeds.
Cope, R. (J. Bardsley), Newark.
Copeland, M. A. (J. C. Sheldrake), Chelmsford.
Copeman, J. M. (R. Davson), London.
Cowlishaw, A. (S. McCombie), Hitchin.
Craig, J. E. (G. W. Coleman), London.
Cramer, S. J. (A. Goodman), London.
Crocker, M. S. (W. Hepburn), London.
Croucher, D. J. (F. M. Kellett), Newcastle upon Tyne.
Cummings, K. D. (M. C. Rogers), Nottingham.

Dale, J. M. (F. W. Chapman), Nottingham.
Danby, J. C. (E. P. Broome), Nottingham.
Dandy, W. A. (J. D. M. Corbett), Chester.
Dann, W. E. (E. E. V. Rowley), Leicester.
Davenport, J. M. (A. D. Wardle), London.
Davidson, J. C. (I. G. Stewart), Whitehaven.
Davies, D. P. (A. F. Christlieb), London.
Davies, H. S. (C. E. Hall), London.
Davis, P. V. (J. Spence), London.
Dawson, M. (D. T. H. Nicholson), London.
Day, D. C. (H. J. Robinson), London.
Day, N. E. N. (J. C. Knowles), Letchworth.
Delaunay, F. P. (F. Broadie), Manchester.
Dixon, F. L. (S. Ellis), Sale.
Docker, D. B. (W. F. Hayward), Manchester.
Donnelly, J. (B. W. T. Cooper), Bolton.
*Donovan, A. J. (H. Darrell), Croydon.
Dowdy, M. J. (W. H. Mason), London.
Druce, J. B. (W. T. W. Tickler), London.
Dugard, J. R. (E. P. Broome), Nottingham.

Eatough, N. J. (G. H. W. Delderfield), London.
Edwards, F. W. (G. E. Richards), London.
Edwards, R. A. (R. G. Cotter), Birkenhead.
Eglesfield, B. (R. T. Salt), Birmingham.
Element, D. V. (R. B. Ogden), London.
Ellam, N. M. J. (J. R. Powell), London.
Elliott, R. (H. H. Marks), London.
Ellis, M. J. I. (J. Newman), Brighton.
Ellison, D. M. (H. Robinson), Barnsley.
Ellison, R. J. (G. F. Saunders), Liverpool.
Elphick, M. P. (B. W. Graves), London.
Evans, R. T. (C. Rutter), Manchester.

Farnworth, M. M. H. (E. Messenger), Manchester.
Farra, L. (G. Finlay), London.
Faulkner, C. G. B. (T. H. How), London.
Fawssett, B. U. (A. T. Reed), London.
Feeney, J. F. (F. S. Wills), Lewes.
Feiger, M. M. (C. Gee), London.
Fewkes, P. R. (R. A. Haigh), Leicester.
Fine, J. J. (H. Lubbock), London.
Finn, L. I. (M. Apple), London.
Fisher, M. J. A. (A. D. Fisher), Liverpool.
Fleetwood, B. (C. Fine), London.
Foreman, J. E. J. (L. Woodthorpe), London.
Fossett, R. J. (N. H. Stubbs), London.
Foster, D. B. (R. Hindle), London.
Foster, H. L. (J. C. Chapman), Manchester.
Frankel, J. L. (I. G. de Mesquita), London.
Fripp, J. M. (Miss), (R. C. Fripp), London.
Fry, J. M. (H. F. E. Stripp), Slough.

Geffin, A. F. (A. L. Miller), London.
Geller, A. M. (L. Kershaw), London.
Gibbs, J. H. (A. M. Baker), Wolverhampton.
Gibbs, N. (J. E. R. Vellacott), London.
Gilbert, B. L. (E. Lucas), Bedford.
Gilbert, F. W. (J. L. Rose), Derby.
Giles, D. R. (N. A. Wiseman), London.
Gillitt, B. (J. R. Mead), Coventry. (*Plender Prize for the paper on Advanced Accounting* (*Part II*))
Gilpin, P. F. (R. F. Bendall), Birmingham.
Goddard, J. A. D. (B. C. Dixie), London.
Goldring, J. I. (M. W. Burns), London.
Goldstein, J. (H. Young), London.
*Gooch, A. J. (H. G. Martin), London.
Gooder, G. (M. T. Kendrick), Leeds.
Goonting, D. G. (D. H. Harker), London.
Gosling, M. (J. C. Beauvais), Bridlington.
Graves, J. L. (H. J. Hoby), Rochester.
Gray, C. A. (E. Hope), Liverpool.
*Green, L. W. (C. Halpern), London.
Griffin, H. (L. W. Farrow), London.
Griffith, H. G. (D. D. Mathieson), London.
Griffith, P. S. (P. R. Rutherford), London.
Grimley, J. C. (A. P. Turner), Loughborough.
Grindrod, E. C. (D. J. Gow), Bournemouth.
Groves, M. (H. Lamdin), London.

Hannigan, D. H. (C. B. B. Flint), Birmingham.
Harmon, R. B. (W. R. Coope), Nottingham.
Harrison, A. G. (T. S. Powell), Manchester.
Hattersley, J. R. (R. W. Mitchell), Whitehaven.
Haussmann, A. K. (L. J. Bussey), London.
Heppell, F. N. (A. L. L. Glendinning), Newcastle upon Tyne.
Herman, F. E. (R. T. Tiplady), London.
Hewitt, D. S. (B. D. Graves), Liverpool.
Heyes, D. A. (J. Sharp), Carlisle.
Higgins, R. (D. J. Ironside), Bristol.
Hill, N. R. (P. R. Dallow), Birmingham.
Hill, R. B. R. (S. F. Shuttleworth), London.
Himsworth, M. W. (formerly with A. J. Downs, deceased), Hull.
Hipps, P. A. (C. L. Davies), Leeds.
Hodgson, N. A. (A. R. Bridgford), Manchester.
Holberton, J. V. (J. C. Billingham), London.
Holder, J. E. K. (S. Jackson), London.
Holland, J. E. (O. A. J. Ling), Derby.
Holt, M. (C. S. Goddard), London.
Holyland, D. (J. L. Smith), Market Harborough.
Hopkins-Husson, J. P. (N. G. Phillips), London.
Hornbrook, P. W. (H. H. Mason), London.
Horne, K. J. (J. P. Davey), Ipswich.
Horner, M. W. (A. R. Armstrong), Manchester.
Horsfield, M. A. (J. G. Ash), London.
Hoseason, B. A. H. (R. L. Latimer), London.
Hosny, A. H. (G. T. Cheetham), Manchester.
Housden, P. J. (A. E. Burton), London.
Hubbard, P. J. S. (G. P. Stevens), London.
Hubbold, C. E. (F. D. Jeffries), Walsall.
Huddy, D. G. (R. K. Briscoe), London.
Huggins, P. J. (R. H. Stafford), London.
Humphreys, J. B. (T. O. Brennan), London. (*Plender Prize for the paper on English Law* (*Part I.*))
Humphreys, M. L. (L. J. W. Gould), London.

Iliff, A. (A. R. Mason), Birmingham.
Inwood, K. F. H. (S. E. Moss), East Molesey.

Jenkins, D. W. (A. V. Hedges), Burnley.
Johnson, O. O. (J. Dixon), Newcastle upon Tyne.
Johnson, P. W. (A. C. C. Oddie), Bristol.
Jonah, E. S. (J. I. Robertson), London.
Jones, C. T. (F. Hiscocks), Liverpool.
Jones, E. T. (J. M. C. Lawson), London.
*Jones, J. T. (F. H. Walsh), Burnley.
Jones, K. W. (F. Battersby), Manchester.
Jones, R. V. C. (G. F. K. Morgan), Cardiff.
Jones, R. W. E. (R. H. Nicholson), London.

Kelland, D. J. (G. A. Molineux), London.
Kemp, B. A. (Miss), (P. H. Smith), London.
Kenmir, E. C. (C. Chipchase), Middlesbrough.
Kennedy, J. E. (N. Dunn), Newcastle upon Tyne.
Kettle, B. E. (G. L. Fox), London.
Kiddle, A. D. (J. K. King), London.
Kilvington, S. (formerly with F. C. Topping, deceased), Huddersfield.
King, D. S. (L. King), Liverpool.
Kinsman, B. B. P. (G. E. Barrett), Manchester.
Kirby, R. G. (L. M. Turnbull), London.

Lahiri, P. K., Calcutta. (*S*)

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* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Lancaster, N. B. (W. C. Kyle), Carlisle.
Landau, S., London. (*S*)
Langrish, C. J. (C. A. Solly), London.
Latiff, A. A. (G. T. Schofield), London.
Lavender, D. R. (W. W. Fereday), London.
Lawrence, P. G. (A. G. B. Drabble), London.
•Lawrence, T. G. R. (B. J. Davis), London.
Layzell, N. (A. J. Roberts), London.
Leadbeater, K. J. (B. Kidson), Wolverhampton.
Leak, N. D. M. (H. Aldred), Chester.
Legg, V. J. (R. R. Pickering), London.
Linaker, L. E. (W. J. Corpe), Bristol.
Littlewood, P. M. (Miss), (W. A. Davies), London.
Livingstone, M. G. (T. E. Leacock), London.
Lloyd, J. M. (D. W. Stirling), Birmingham.
Lockhart, M. R. S. (J. M. Harrison), Liverpool.
Lomax, G. A. R. (J. M. Farraday), Bury, Lancs.
Lowe, J. G. (A. G. T. Oakley), London.
Lowe, W. I. (P. T. Neal), Birmingham.
Luck, P. A. W. (G. W. Plummer), Eastbourne.
Lunn, B. R. (Jun.), (formerly with T. Eyton, deceased), Newcastle upon Tyne.
Lynch, F. B. (O. B. T. Bennett), Oxford.

McArthur, J. F. (R. O. McArthur), London.
McCue, F. W. (E. W. Coleman), London.
McCulloch, M. F. (L. F. McCulloch), Grimsby.
McDonnell, R. A. (formerly with F. A. Lord, deceased), London.
McLoughlin, A. F. (D. S. Evason), Shrewsbury.
McNally, T. J. (J. H. Curtis), London.
M'Cardell, R. G. (E. Thompson), Manchester.
Madge, J. B. (H. M. Beck), Birmingham.
Malcolm, T. R. (J. C. Luckin), Chelmsford.
Mansfield, B. D. F. (B. A. Maynard), London.
Marks, D. I. (M. Sherman), London.
Marks, H. J. (L. R. Trill), London.
Marlow, D. E. (K. Johnson), Leicester.
Marsh, I. E. (W. R. Heatley), Coventry.
Marshall, K. R. P. (A. H. Marshall), London.
Marzell, S. D. (S. Winograd), London.
Mason, F. J. (C. L. Dain), Lichfield.
Mathison, J. A. (H. Reynolds), London.
Matthews, J. G. (R. B. Wickenden), Coventry.
Max, L. (J. R. T. Waldron), London.
Maynard, P. J. (D. O. Johnston), London.
Mellor, P. G. (H. G. Mack), London.
Millard, P. W. (K. L. Young), London.
Miller, C. F. (J. C. Beauvais), Bridlington.
Mirza, N. S. (E. B. Costello), London.
Mitcham, A. D. (M. Hall), Ilminster.
Moir, A. K. (R. W. Carr), Leeds.
Monkman, R. (J. G. Beaumont), Leeds.
Moore, C. J. (F. L. Moore), London.
Moore, J. (W. E. Roberts), Stockport.
Moore, W. J. (E. G. Lambard), London.
Morley, J. S. (W. J. C. Kendall), Malvern.
Morris, T. D. (P. F. Allday), London.
Moys, P. H. C. (T. B. Hughes), London.
Moyse, G. S. (C. L. Fielden), Colchester.
Muffitt, B. T. (J. L. Simpson), Bradford.

Nadal, A. T. (H. W. May), Chelmsford.
Nelson, A. H. (formerly with E. Bosley, deceased), Birmingham.
Nelson, R. H. (R. E. D. Nelson), Sunderland.
Netley, B. M. (V. C. Manolescue), London.
Neville, R. A. G. (A. E. C. Hartnell), London.
Nicholls, B. M. (H. Jones), Birmingham.
Niddrie, R. C. (M. Bound), Southampton.
Ninnes, C. H. (G. D. Redfern), St Ives.
Noble, A. R. (J. A. Chapman), Newcastle upon Tyne.
Norman, M. R. (H. C. Castle), Birmingham.
Nugent, R. H. (F. B. Murray), Birmingham.

Oldfield, H. R. (O. S. Holmes), Sheffield.
Olsen, L. N. G. (J. G. Hurst), Liverpool.
Ong, B. B. (C. A. Larkin), London.
O'Riordan, B. R. (S. Roden), Birmingham.
Orman, D. H. (J. W. Williams), London.
O[illegible] M. G. M. (N. A. Wheatcroft), Sheffield.
Owen, R. W. (H. F. Ware), London.
Ozerovitch, J. (S. J. Melbourne), London.

Pakalnis, K.-A. (F. J. Frodsham), Liverpool.
Palmer, S. (S. D. Hull), Stockport.
Park, I. W. (W. S. C. Charles), Carlisle.
Partington, A. (L. D. Harrison), Oldham.
Pasha, M. Y. (M. D. Green), London.
Patel, H. D. (J. Civval), London.
Patterson, G. B. (E. G. Essex), London.
Pendock, S. B. (F. T. Wright), London.
Phillips, D. (H. O. Rule), Truro.
Phillips, J. C. (J. S. Phillips), Torquay.
Phipps, P. R. J. (A. C. Bright), Richmond, Surrey.
Pike, B. D. (The Right Hon. Lord Dovercourt), London.
Powell, N. F. (D. A. Whyman), Manchester.
Prater, M. (S. C. Parlett), Margate.
Pratt, C. R. (J. Portergill), Banbury.
Price, A. N. (H. S. G. Isitt), London.
Priest, G. (J. D. Tyrer), Wigan.
Prior, M. S. (H. Newman), London.
Purce, J. J. (W. C. Nelson), Wolverhampton.

Quinton, B. P. (J. A. Adams), London.

Ralph, P. P. (R. G. Millard), Taunton.
Ramsdale, C. A. J. (C. Jordan), London.
Randle, K. R. (W. J. Berry), Manchester.
•Rawlinson, C. F. M. (A. E. Limehouse), Rugby.
Rawlinson, K. B. (S. Barlow), Manchester.
Rayton, M. A. (F. Addison), Derby.
Rea, P. B. (D. J. Gulliford), Portsmouth.
Rebeiro, W. A. (T. Y. Whittingdale), London.
Reeves, D. H. (G. C. Calder), London.
Reilly, S. H. (W. L. McAndrew), Newcastle upon Tyne.
Renton, H. S. (B. A. Clark), London.
Reynolds, D. R. (A. I. Wyborn), London.
Richardson, J. W. G. (L. Jacques), Manchester.
Ridings, P. B. (H. C. Cox), Manchester.
Riley, N. (N. G. Rees), Oldham.
Rimmer, K. H. (G. N. Fullagar), Liverpool.
Rivett, D. G. (R. H. MacIntyre), London.
Roberts, J. G. (A. F. B. Ham), Bristol.
Robertson, T. (E. D. Sanders), Market Drayton.
Robeson, P. M. (M. H. C. Tarrant), London.
Robins, P. A. (G. B. Robins), Hull.
Ross, P. H. St. J. (J. G. Saunders), London.
Rosswick, A. R. (T. G. Buckingham), London.
Rowe, I. A. (H. W. C. Airey), London.
Rowe, P. J. (L. V. Mills), London.
Rowland, R. L. (T. H. C. Amies), London.
Ruddle, A. F. H. (E. R. Hogg), London.
Ruffle, B. D. (C. H. Appleby), London.
Rutland, P. C. (F. S. Parsons), Croydon.

Sage, N. G. (E. P. Miskin), London.
Salmon, I. S. (E. J. R. May), London.
San, J. M. F. (I. O. MacLeod), Birmingham.
Sandison, J. S. (D. R. Hindle), London.
Sapsed, P. C. (G. S. Fletcher), London.
Sawamiphakdi, K. (T. A. Grant), Stoke-on-Trent.
Schofield, J. A. (H. P. Laycock), Leeds.
Scholefield, R. A. (J. Twist), Manchester.
Scott, K. (T. A. Lobley), London.
Scott, P. C. (E. Midgley), Bradford.
Scrutton, A. M. (V. A. S. Goddard), London.
Seitler, B. (P. A. Lewis), Manchester.
Selig, M. (R. E. Bolton), Newcastle upon Tyne.
Sen Gupta, V. R., Calcutta. (*S*)
Sermon, M. G. (D. J. T. Corbett), Nottingham.
Shah, S. C. (D. W. Malpas), Bournemouth.
Shaw, J. J. St. C. (T. W. E. Booth), Manchester.
Shaw, P. J. (W. A. Dodd), Manchester.
Shepherd, S. A. (R. G. Watchorn), Birmingham.
Sherwood, P. G. (E. T. Thurlow), Guildford.
Shipman, R. M. (R. F. Holloway), Nottingham.
Shore, K. (J. Hazlitt), Manchester.
Shores, D. N. W. (G. R. Watson), Grimsby.
Siddons, A. (F. L. Prusmann), Manchester.
Siddons, A. H. (C. R. Branson), Rotherham.
Silvester, P. (F. W. L. Phillips), Chatham.
Simmonds, J. A. (E. D. Davies), London.
Sinden, P. J. T. (G. T. Hills), London.
Skinner, P. R. (D. B. Sharp), London.
Slater, H. B. (W. Taylor), Burnley.
Slavin, A. (P. Messik), London.
Sloan, J. F. (F. R. Strover), London.
Smith, A. (J. E. Boler), Sheffield.
Smith, A. (R. L. Ellis), Manchester.

• See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Smith, A. D. (R. V. Garton), Huddersfield.
Smith, J. A. (J. T. Finnis), London.
Smith, P. J. (L. F. McCulloch), Grimsby.
*Smith-Wright, R. D. (S. W. Penwill), London.
Sparrey, C. A. M. (D. R. Andrew), Malvern.
Spencer, R. J. (F. K. Murfitt), Nelson.
Spofforth, J. D. (F. J. B. Gardner), London.
Spray, D. R. (J. H. Hewitt), Nottingham.
Stansfield, J. P. (W. R. Carter), Manchester.
Stansfield, R. A. (W. G. Shaw), Dewsbury.
Stevenson, J. B. (N. V. Collins), London.
Stewart, J. P. (N. A. Smith), Reading.
Stoddard, E. J. (H. Poole), Newcastle, Staffs.
Stone, A. P. (B. Wright), London.
Stone, D. (F. O. M. Smith), London.
Strange, T. L. (A. B. MacIldowie), Manchester.
Stratford, V. G. (L. G. Jones), London.
Strutt, R. A. (L. J. L. I. Judson), London.
Sutherland, R. (E. D. Sanders), Liverpool.

Taggart, M. J. (A. W. Goodfellow), London.
Tanner, M. L. J. (L. Blackie), London.
Taylor, A. D. (A. Collins), Bournemouth.
Taylor, D. H. W. (J. C. Fortune), West Hartlepool.
Taylor, R. W. (H. Hudson), Dudley.
Terras, A. M. (W. Scott), Manchester.
Thody, R. S. (G. T. E. Chamberlain), Leicester.
Thomas, D. H. H. (J. R. Train), London.
Thomas, W. J. N. (J. R. C. Weber), Cardiff.
Thompson, B. J. (R. A. Douglas), Manchester.
Thompson, M. E. (V. L. Bell), London.
Thorn, D. G. (P. M. Lowick), Bristol.
Thorp, M. D. (N. D. Ednie), Bedford.
Tollet, W. E. (W. Lodge), Liverpool.
Tomkins, P. G. L. (B. M. Till), London.
Tomlin, D. A. (J. H. Mitchener), Southampton.
Tomlinson, A. P. (C. N. Smellie), London.
Townson, W. (R. T. Cheetham), Oldham.
Tucker, D. A. (G. P. H. Smith), Exeter.
Tytherleigh, C. (A. F. Newton), London.

Uridge, M. W. (C. J. Comins), London.
Urmson, R. K. (J. E. Sharman), Bolton.
Usick, M. A. (A. R. O. Slater), London.

Valentine, J. B. (R. Miller), Manchester.
Vickers, F. (H. Arbeid), London.
Vowles, H. G. K. (E. D. Basden), London.

Wade, D. H. (R. L. M. Wood), Huddersfield.
Walsh, F. (E. C. Smith), Manchester.
Walter, B. C. (W. W. A. Couzens), London.
Waring, A. J. (A. Dobson), Leeds.
Wasdell, D. C. (E. O. Cox), Birmingham.
Wassell, P. R. (J. S. Haywood), Sheffield.
Waterson, B. D. (A. E. Campbell), Manchester.
Watson, M. J. (E. N. Revell), Huddersfield.
Watson, M. J. B. (D. B. Sharp), London.
Wayne, H., London. (*S*)
Webb, P. G. (P. J. Chaplin), London.
Webber, R. A. (J. G. Hickmore), London.
Webster, G. B. (G. G. G. Goult), Ipswich.
Wedgwood, C. D. (J. V. Eastwood), Manchester.
Weeks, G. P. (W. E. Roe), Newport, Mon.
Westwood, D. J. M. (E. H. King), Birmingham.
Wheeldon, N. (J. L. Hague), Blackpool.
Wheeldon, T. R. (K. Davison), Cleckheaton.
Whitbread, R. C. (V. M. Burton), Bedford.
White, E. B. (D. F. Dodd), Birmingham.
White, G. P. (W. L. Jones), Llandudno.
Whitelock, P. R. (W. N. Herald), Leeds.
Whittaker, H. J. (D. J. Dunn), Warrington.
Whittaker, S. H. (P. B. Norledge), London.
Wijeyesekera, R. S. (H. S. Hardwick), London.
Williams, B. T. (E. C. W. Owen), Cardiff.
Williams, C. R. (J. O. Bussell), Ilfracombe.
Williams, K. R. (L. K. Taylor), Manchester.
Williams, S. R. W. (F. Downing), Sheffield.
Williams, T. M. (R. A. Branson), Stockton-on-Tees.
Willing, J. G. (E. S. Hall), Solihull.
Wilson, A. J. (R. O. McIlwrick), Manchester.
Windsor, J. F. (A. F. Chick), London.
Winn, M. (J. E. H. Littlewood), London.
Winston, B. C. (J. S. Wortley), Sheffield.
Wise, C. A. (L. Hickson), Hull.
Wise, F. S. (R. C. Copeman), Hull.
Wise, T. M. (J. M. Walker), London.
Wissa, M. E. Z. (G. H. Barnard), London.
Wolf, G. M. (J. Pitchers), London.
Wood, M. W. (H. W. Bonnello), Nottingham.
Woodhead, A. J. K. (C. Couchman), London. (*William Quilter Prize and the Plender Prizes for the papers on Taxation and Auditing.*)
Woodhead, E. R. A. (A. Popplewell), Manchester.
Woolcott, M. J. M. (M. F. Hudson), London.
Woolfson, P. (P. Smith), Sheffield.
Wray, M. J. (W. E. Johnson), London.
Wreford, S. G. (W. Elles-Hill), London.

Yearsley, G. B. (N. Woolley), Manchester.
Yeoward, P. (I. Buck), Liverpool.
Young, A. (J. E. R. Vellacott), London.
Young, P. G. (J. S. Lake), London.
Young, P. W. (H. Darrell), Croydon.
Young, R. (P. Gardner), Newcastle upon Tyne.

Zatman, M. S. (A. G. Arnfield), Manchester.
Zeigler, H. M. (C. E. Pryke), London.

496 Candidates passed.

532 Candidates failed.

INTERMEDIATE EXAMINATION

Held on May 20th, 21st and 22nd, 1958

Certificates of Merit with Prizes Awarded

First Certificate of Merit, the Institute prize and the Robert Fletcher prize
Williams, David John (C. G. Jolliffe), Newport.

Second Certificate of Merit, the Frederick Whinney prize (shared with one other) and the Plender prize for the paper on Book-keeping and Accounts (Partnership)
Clark, Roger Jackson (B. C. Cornes), London.

Third Certificate of Merit, the Tom Walton prize and the Frederick Whinney prize (shared with one other)
Lacey, Patrick William (S. Fawcett), Salisbury.

Fourth Certificate of Merit and the Flight Lieutenant Dudley Hewitt, D.F.C. prize
Keat, Anthony George Joseph (D. A. Huggons), Hove.

Fifth Certificate of Merit
Davies, David Peter Lloyd (R. H. Martin), Cardiff.

Full List of Names of Successful Candidates

(in alphabetical order)

Abercrombie, A. J. (S. P. Thomas), Birmingham.
Adams, A. B. (P. G. S. Kiely), Reading.
Adams, P. (D. C. Ferry), Newquay.
Adamson, E. K. (C. R. Bellis), Bolton.
Adamson, S. W. J. (P. L. H. Smith), Harrogate.
Addison, D. E. (G. E. Johnson), Derby.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Adey, A. J. (R. W. Covington), London.
Adler, B. (A. M. Bond), London.
Aggarwal, B. K. (D. J. Ironside), Bristol.
Alabi, A. B., London. (*S*)
Alam, K. M. R. (E. M. Ormrod), Liverpool.
Alam, S. (H. A. Ryley), Smethwick.
Allan, J. R. (H. D. Leete), Manchester.
Alleyne, A. J. (J. I. Calcott), Leamington Spa.
Aman, A. J. (E. F. G. Whinney), London.
Anderson, I. S. (D. G. Bendall), London.
Anderson, P. P. (C. F. Carlisle), Nottingham. (*S*)
Appleyard, K. H. (D. Lewis), London.
Arnold, E. B. (H. R. Davison), Barnstaple.
Ashurst, A. (J. F. Dunk), Sheffield.
Atkinson, G. (A. K. Gill), Leeds.

Baber, M. T. W. (P. F. Rendell), Bristol.
Badger, R. (D. Horrocks), Liverpool (*Plender Prize for the paper on Auditing.*)
Bailey, J. F. M. P. (S. G. Hillyer), London.
Baird, H. (J. F. Tyson), Morecambe.
Ball, C. H. (R. E. Osborne), London.
Ballard, J. J. W. (E. C. Jones), London.
Barber, D. A. (R. Marks), London.
Barber, L. J. (M. E. Askwith), London.
Barfoot, P. W. (S. A. Forster), London.
Barnett, M. (S. Cohen), London.
Barnett, R. M. (A. M. Fisher), London.
Barrell, M. L. (Miss), (G. A. H. Oliver), Abergavenny. (*S*)
Barton, E. K. (N. R. Barton), Wigan. (*S*)
Basu Roy, S. (F. S. Worms), London.
Batchelor, J. E. (E. E. Hallam), London.
Bateman, J. H. S. (A. G. Bragg), Birmingham.
Batty, C. M. (S. K. Stott), Manchester.
Beale, G. H. (G. L. C. Touche), London.
Bean, C. F. P. (Miss), (D. W. Carter), Kingston upon Thames.
Beardmore-Gray, J. D. I. (K. L. Young), London.
Beardsmore, J. E. F. (H. McDonald), Birmingham.
Becker, D. (E. S. Townley), London.
Becker, W. (J. F. D. Yerbury), London.
Bedford, T. A. J. (E. H. Newman), Leeds.
Beere, R. I. (H. Lamdin), London.
Bell, M. A. (R. D. Keyworth), Newton Abbot.
Bell, M. G. (L. E. Budd), London. (*S*)
Benson, N. W. (W. R. Pugsley), London.
Berlanny, B. P. (T. D. Walker), London.
Berman, B. A. (R. G. Main), London.
Betts, R. A. (P. P. Richards), Bristol.
Bevan, D. (J. Newman), London.
Biggs, E. G. M. (A. S. Masters), London.
Blackah, J. H., Leeds. (*S*)
Blandy, R. A. P. (C. J. M. Bennett), London.
Bolton, M. (D. S. Osborne), Birmingham.
Bond, C. B. (W. T. Smith), Chester.
Bond, I. C. W. (W. T. Jones), Birmingham.
Boor, A. G. (B. D. Barton), London.
Booth, L. (E. Wood), Burnley.
Bouic, J. G. (P. W. Mertens), London.
Boulter, J. H. (G. W. Firkins), Birmingham.
Boulter, T. L. (N. H. Parkinson), Leicester.
Bower, J. T. S. (A. G. B. Burney), London.
Brady, S. B. (H. A. Bainbridge), Liverpool.
Braham, M. A. (Wallace Cash), London.
Brampton, D. G. W. (N. Green), Sudbury.
Braxton, A. G. (R. R. Elliott), Ilford.
Bray, G. (J. P. Blows), London.
Breknock, A. B. P. (W. L. Farr), Nottingham.
Breen, P. (C. McCaig), Liverpool.
Brereton, J. (E. J. R. Holder), London.
Brett, C. E. F. (C. G. Larking), Maidstone.
Brewester, R. A. (L. S. Grigg), London.
Brewster, A. T. D. (C. T. W. Brewster), Watford.
Bright, D. N. (H. T. Wickham), Falmouth.
Broadhurst, I. K. A. (R. S. Wilkinson), Stoke-on-Trent. (*S*)
Broddle, T. (H. Cookson), Manchester. (*S*)
Bromwich, M. T. (P. A. H. Bromwich), Leicester. (*S*)
Brook, A. D. (C. U. Peat), London.
B[illegible]oker, A. W., Dudley. (*S*)
Brooks, T. C., London. (*S*)
Brown, D. D. (W. A. Styler), Stratford-on-Avon.
Brown, R. E. (E. D. Cox), Birmingham.
Bruschi, P. J. (P. B. MacHugh), London.
Bryant, E. H., London. (*S*)
Buckle, J. F. (Sir S. G. Rowlandson), London.
Bührlen, R. D. (G. G. Cooke), Leicester.
Burgon, C. B. (C. H. McKnight), London.
Burley, R. M. (R. P. Jelks), Liverpool.
Buston, D. M. (H. M. Beck), Birmingham.
Butterworth, H. (A. Pepworth), Manchester.
Butterworth, T. (N. J. Williams), Warrington.

Cadd, N. H. (J. K. Ashton), Chorley.
Calder, M. J. (J. B. Calder), London.
Canneaux, A. B. (K. Mashford), Worthing.
Capper, A. D. (C. McCaig), Liverpool.
Capps, K. T. (E. L. Phillips), London.
Carbutt, F. (G. F. R. Bagulay), London.
Carew, J. S. G. (J. N. Davie), London.
Carline, D. M. (J. H. Wilkinson), Macclesfield.
Carter, B. M. (Miss), (S. Grace), Bristol.
Caseldine, D. J. (H. R. Powell), Dudley.
Castley, D. R. (F. E. Webber), Worthing.
Cattley, F. D. G. (J. W. Pickard), London.
Chaffe, J. A. (F. J. W. Hodgson), Plymouth.
Chait, S. A. (G. G. Dickinson), Sheffield.
Chakko, P. F. (J. J. S. Reynolds), London.
Chan, C. Q. (Miss), (S. E. Homewood), London.
Chan, T. C. (A. Fisher), London.
Chandler, L. G. (L. Jackson), London.
Chanter, D. J. (G. R. Mackay), London.
Chapman, B. D. (A. Barron), London.
Chappell, K. (P. W. Adams), Birmingham.
Charlton, D. H. (F. E. Proom), Newcastle upon Tyne.
Cheetham, N. T. (J. H. Bradley), Liverpool.
Chisholm, A. (J. H. Lundy), Sunderland.
Chong, Kek Fah (Simon Cohen), London.
Christie, J. D. (C. E. Surman), London. (*S*)
Christopher, C. M. (R. G. Walker), London.
*Clark, R. J. (B. C. Cornes), London.
Clark, V. I. I. (P. T. Duxbury), North Shields.
Clarkson, T. H. (L. Smith), Nottingham.
Clemenson, D. J. W. J. (K. W. Kyle), Southend-on-Sea.
Clements, G. (A. W. Joiner), Birmingham.
Cloke, B. (A. J. Allison), Luton.
Cody, D. P. (E. T. Peckham), London.
Cohen, A. L., London. (*S*)
Coleman, M. (R. Newstone), London.
Coleman, S. A. (Miss), (J. D. Shepard), London.
Collins, B. (K. A. Pollock), Rochester.
Collins, N. H. (R. E. Collins), Cardiff. (*Plender Prize for the paper on General Commercial Knowledge.*)
Collins, P. E. (H. J. Williams), London. (*Plender Prize for the paper on Book-keeping and Accounts* (*Executorship*).)
Collyer, B. P. (R. Grimley), Nottingham.
Compton, B. C. (C. E. M. Emmerson), London. (*S*)
Conacher, H. (A. A. Davies), Birmingham.
Cook, D. (C. T. Robinson), Wolverhampton.
Cooke, A. J. (E. B. Whitehouse), Walsall.
Cooke, P. P. (L. Moore), London.
Cookson, R. (M. H. Parkin), Sheffield. (*S*)
Cooper, A. (N. M. Cohen), London.
Cooper, R. M. (J. V. F. Crowther), London.
Cornelius, M. (C. B. Umney), London.
Cornfield, P. D. (A. W. Garnier), London.
Cornwell, R. J. (A. W. Toze), London.
Corpe, G. E. (I. C. Storey), South Shields.
Cowburn, G. (M. S. Owen), Blackpool.
Coxe, C. A. M. (I. W. Fawkner), London.
Craggs, W. L. (H. Barnes), Sunderland.
Crammond, T. R. (G. H. Yarnell), Brighton.
Crawley, J. M. (C. J. Maples), London.
Creed, J. M. (E. S. Browne), Liverpool.
Crist, B. H. (J. F. S. Rogers), London.
Cuffe, J. H. (R. D. Curtis), London.
Culverwell, P. J. H. (G. R. Mackay), London.
Cunningham, P. M. (R. E. Jones), Liverpool.
Cutter, N. F. (F. R. Crawford), St Helens.

Dann, A. M. H. (A. Myerson), Liverpool. (*S*)
Davies, B. W. (A. E. Wood), Hereford. (*S*)
*Davies, D. P. L. (R. H. Martin), Cardiff.
Davies, D. S. (L. H. Salter), London.
Davis, M. E. C. (F. B. Peach), Wolverhampton.
Davis, S. H. (H. C. Rudolf), London.
Davy, T. H. (S. Makin), London.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Dawson, A. D. (P. S. Hawkings), London.
Day, G. F. (P. S. James), Sidmouth.
Delahaye, T. D. (B. G. Rose), Birmingham. (*S*)
Denham, A. C. (N. F. C. Willey), London.
Desai, K. G. (E. A. Charles), London.
Devey, J. M. (L. S. Deacon), Wolverhampton. (*S*)
Dietz, D. C. (T. Y. Whittingdale), London. (*S*)
Dillon, T. J. (A. W. White), London.
Dineen, T. J. (A. Millichip), Swansea.
Dodds, J. A. (A. R. Stacey), London.
Donald, W. P. (P. H. Dobson), Leeds.
Dosser, B. (W. H. Green), Southampton.
Downs, B. (T. N. Halstead), Manchester.
Drew, D. H. (P. F. Cansdale), London.
Drewitt, L. F. (R. L. Wells), London.
Duffitt, M. (R. W. Lloyd), London. (*Plender Prize for the paper on Book-keeping and Accounts* (*Limited Companies*).)
Duke, S. T. (K. F. Paine), London.
Dunham, J. C. (E. L. Phillips), London.

Ebenezer, J. E. (H. B. Marsden), London.
Elles-Hill, M. P. (S. W. C. Sprunt), London.
Elms, T. M. (W. Forshaw), Manchester.
Elston, N. (S. J. G. Southon), Exeter. (*S*)
Emery, J. R. (D. A. Rolph), London.
Emslie, P. J. (K. C. Pearce), London.
Escudier, B. J. (V. Keen), London.
Evans, A. W. (J. D. Shepard), London.
Evans, D. C. (D. de G. Walford), Stockton-on-Tees.
Evans, P. B. (S. Atkinson), Manchester.
Everett, A. C. (A. H. Farquhar), Leatherhead.

Falk, H. R. (B. Halpern), Manchester.
Farley, P., Leeds. (*S*)
Farrow, G. (A. H. Smith), Spalding.
Fawcett, B. H. (A. A. Beardsall), Grimsby.
Featherstone, P. L. (A. Blythe), Derby.
Fellows, R. D. (J. S. Holloway), Wolverhampton.
Fenton, A. D. (F. J. Frodsham), Liverpool.
Fenton, F. R. (K. A. Jones), London.
Field, P. J. (A. T. How), London.
Fielden, D. S. (H. F. Palmer), Nottingham.
Fish, P. J. (E. C. Turner), Birmingham.
Fisher, K. F. (C. B. Brecknock), Nottingham.
Flatto, K. A. (N. C. R. Nash), London.
Flint, B. W. (A. G. Ray), Nottingham. (*S*)
Flowers, J. (L. Hickson), Hull.
Ford, A. F. (T. R. McBride), London.
Forster, A. J. (J. W. G. Cocke), London.
Forwood, P. L. (N. F. Norris), London.
Foster, A. (N. V. Robinson), Southampton.
Foster, J. H. B. (L. N. Coombe), London.
Franklin, L. G. (R. Fawcett), London. (*S*)
Freedman, J. D. (P. F. Friend-James), Brighton.
Freedman, M. A. (P. R. Hart), London.
Freeman, L. (D. R. C. Phipp), Nottingham.
French, C. A. (A. E. Limehouse), Rugby.
Frost, P. A. (B. G. Jose), Brighton.
Fryer, R. S. (D. G. Sole), London.
Furlong, P. (Miss), (E. M. Ormrod), Liverpool.

Galletti di Cadilhac, A. D. (W. M. Hume), London.
Gallon, J. F. (N. A. Smith), Reading.
Garnham, G. W. (J. F. Atkinson), London.
Geraghty, M. A. (F. S. Wills), Lewes.
Gerrard, L. J. (R. A. C. Mordant), London.
Gibbens, B. J. (W. B. Henderson), London.
Gibbins, J. B. (P. T. Muggison), Leicester.
Gill, D. G. (M. G. Bekenn), Birmingham.
Gillbanks, D. A. (C. F. Eilbeck), Liverpool.
Glover, C. E. (G. S. Pitt), London.
Glover, C. M. (D. F. Pratten), Swansea.
Goh, T. T. (D. G. Sole), London.
Goldingay, A. P. (D. H. Stokes), Birmingham.
Goodey, B. M. (W. H. Worth), Leicester.
Goosey, G. T. (F. Nash), Kettering.
Gordon, C. (C. H. Barclay), London.
Goswell, P. (H. M. Crawford), Colchester.
Gourlay, J. C. (F. Croxson), London. (*S*)
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Grant, P. (A. T. Tull), London.
Graves, T. H. (C. O. Skey), London.
Gray, P. L. M. (E. J. Furniss), London.
Gray, S. T. (W. E. Emms), London.
Green, R. D. (H. H. Williams), St Annes-on-Sea.
Greenberg, L. (D. Clayton), London.
Greener, H. T. (A. H. Lawrence), Cardiff.
Greenway, D. H., Paignton. (*S*)
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Griffiths, E. S. (E. F. Trew), London.
Grossman, B. M. (K. Scott), London.
Grover, K. (R. Harrop), London.
Guest, T. R. G. (R. G. R. Sisson), Great Yarmouth.
Gupta, C. (G. L. Bloom), London.
Guthrie, A. W. (D. T. Davies), Warrington.
Gwynn, J. A. E. (W. Champ), Brighton.
Gyles, G. A. (J. Close), Doncaster.

Hall, G. N. (G. C. B. Gidley-Kitchin), London.
Hall, J. P. (F. Booth), Cheadle.
Hall, S. H. (A. W. White), London.
Hallas, I. (R. B. Sellers), Preston.
Halls, N. J. (W. Y. Eggleton), Gloucester.
Hamel, A. C. (J. Taylor), Newcastle upon Tyne.
Hann, A. H. (J. M. Pinder), Epsom.
Hansom, T. R. (G. C. Calder), London.
Harding, N. J. (R. N. D. Langdon), London.
Harding, S. B. (D. W. Carlisle), London.
Harmer, A. E. M. (W. J. Tyler), Cambridge.
Harper, J. (P. A. Bridger), Birmingham.
Harris, C. F. (H. J. Clarke), Nottingham.
Harris, D. K. (A. A. Davis), London.
Hartley, A. (S. C. Rainbow), Hitchin. (*S*)
Hartley, G. B. H. (S. J. Orman), Bristol.
Hartley, J. P. (T. M. Threlfall), Nelson.
Hatherall, A. J. (G. Stalker), Newcastle upon Tyne.
Haycock, L. C. (J. L. Mawhood), London.
Hayes, P. (J. B. Wilson), St Albans.
Hayward, J. A. I. (F. G. Nicholas), Stoke-on-Trent.
Hazlem, C. A. (H. E. D. Buxton), London.
Hellewell, D. S. (T. B. Murtland), Leeds.
Helyer, G. J. (N. W. Murray), London.
Henderson, G. (A. R. Glenton), Newcastle upon Tyne.
Henstock, B. A. (J. M. Farraday), Bury.
Henty, A. A. (J. D. King), London. (*S*)
Hershman, B. S. (S. L. Hirst), London.
Heseltine, M. R. D. (L. J. Ive), London.
Hewitt, P. S. (A. S. Willies), London.
Heymann, L. (J. C. Durnin), London.
Hibbert, T. W. (G. A. Box), Blackpool.
Hill, A. J. (J. Birkett), Bristol.
Hill, B. L. (R. M. Morris), London.
Hill, D. B. (B. Darbyshire), Bristol.
Hill, G. D. (C. S. S. Cowper), Newbury.
Hill, R. C. (W. C. Kyle), Carlisle.
Hill, R. H. (S. E. Clark), Oxford.
Hilliard, R. P. (F. Woods), London. (*S*)
Hills, A. J. (B. W. Sutherland), Birmingham.
Hilton, C. R. (R. Dunn), Leicester.
Hindley, J. N. (N. Hindley), Preston.
Hine, H. (R. H. Shipley), London.
Hix, R. E. (A. J. Whiting), Wisbech.
Hobbs, W. J. (C. J. Holliday), Stroud.
Hobbs, W. J. M. (K. H. Gibbons), Bristol.
Hobson, J. E. (L. A. Fox), Leeds.
Hodgkinson, P. (Miss), (J. W. Davies), London.
Hodson, J. D. (P. A. H. Bromwich), Leicester. (*S*)
Hodson, P. J. L. (J. Holland), Manchester.
Holdich, T. A. W. (A. MacDonald), Hull.
Hollings, P. R. (C. H. Pomfret), Liverpool.
Holmes, B. (G. G. Smith), Huddersfield.
Hopewell, L. C. (W. W. Ward), Bristol. (*S*)
Hopkinson, C. W. (K. H. Marsden), Blackburn.
Howard, P. A. (H. S. Dunk), Dartford.
Hughes, J. (J. S. Rogers), Llandudno.
Hughes, W. H. (T. R. Oliver), Nottingham. (*S*)
Humphries, M. R. (J. S. Holloway), Wolverhampton.
Humphry, B. G. (E. C. Graham), London.
Hutson, J. W. (J. C. Fortune), West Hartlepool.

Ingledew, J. F. (E. R. Norman), London.
Innes, J. B. (Sir R. Yeabsley), London.
Iredale, J. D. (G. F. Shaw), Huddersfield.*

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Irish, P. R. (R. Adams), Bognor Regis.
Isherwood, A. V. de P. (T. M. Carmichael), London.

Jackson, A. P. S. (G. E. Lister), Huddersfield.
James, C. P. (C. W. Tyrrell), London.
James, J. H. L. (J. A. K. Collins), Newport, Isle of Wight. (*S*)
Jay, M. P. J. (G. E. Morrish), London.
Jennings, R. L., London. (*S*)
Jevons, H. (I. H. M. Robinson), Leeds. (*S*)
Joannou, V. (S. J. Birkett), London. (*S*)
Johnson, P. R. (W. C. Bolton), Manchester.
Jones, A. R. (D. C. Norris), Blackburn.
Jones, G. F. (S. D. Jacob), Birmingham.
Jones, M. D. (H. Hockaday), Liverpool.
Jones, P. C. (M. H. C. Smith), London.
Jose, M. A. (G. L. Aspell), Leicester.

*Keat, A. G. J. (D. A. Huggons), Hove.
Keefe, D. G. (K. I. Morgan), Swansea.
Keller, D. (H. H. Altman), Sheffield.
Kelley, P. D. (W. L. Barrows), Birmingham.
Kershen, M. B. (S. Kershen), London.
Kershner, H. (J. Ross), Manchester.
Kinchuck, S. M. (L. Guttermann), Manchester.
Kirkup, M. J. (M. S. Moon), Liverpool.
Kitson, R. J. (H. Stones), Hinckley.
Knight, R. J. (A. L. Peatman), Northampton.
Kohn, D. J. (R. G. Wallis), London.
Kyle, C. D. (H. Murray), Newcastle upon Tyne.

*Lacey, P. W. (S. Fawcett), Salisbury.
Laddin, P. (H. C. Cox), Manchester.
Lam, C. H. (L. Scott), London.
Lane, K. A. (F. C. A. Ledsam), Birmingham.
Langford, F. (H. L. Bangham), Swansea.
Large, B. (F. D. Jones), Derby.
Laurens, J. M. (J. Godfrey), London.
Lawrence, G. C. (A. S. Masters), London.
Lawrence, P. J. (I. Sassoon), London.
Leach, P. G. (J. G. Turner), Huddersfield.
Learmont, J. M. (M. H. Leese), Manchester.
Lee, G. (E. M. Haslam), Bolton.
Leech, E. (P. Nuttall), Manchester.
Leggott, J. E. (L. Hickson), Hull.
Leibert, I. M. (Wallace Cash), London.
Levermore, F. H. (A. C. Heyward), London.
Lewis, B. R. (H. B. T. Wilde), Birmingham.
Lewis, N. F. (J. Green), London. (*Plender Prize for the paper on Taxation and Cost Accounting.*)
Line, M. A. (A. M. M. Burdon-Cooper), London.
Linnell, C. (H. Gompertz), Birmingham.
Lodge, R. S. (D. Pearson), Leeds.
Longbotton, D. H. (K. V. Longbottom), Stoke-on-Trent. (*S*)
Lonnen, J. V. (H. S. Ortmans), London.
Lowe, C. N. (W. B. Douthwaite), Sheffield.
Lowe, J. D. (R. W. May), Coventry.
Luckman, J. W. (T. H. Webb), Coventry.
Lyle, R. B. (C. A. Solly), London.

MacDonald, I. (D. T. H. Nicholson), London.
MacGillivray, A. J. (G. F. Huff), London.
MacHardy, I. C. (E. N. C. Hewens), London.
McHarg, A. J. (Miss), (A. Gait), Newport, Mon. (*S*)
McIver, D. K. F. (B. E. Pearcy), London.
McKelvie, D. M. (F. N. Phipps), London.
McKenzie, G. D. (G. F. K. Morgan), Cardiff.
McMahon, P. (F. D. Marshall), Manchester.
McMullen, T. M. (J. A. Hartley), Leeds. (*S*)
McNulty, G. P. (J. D. French), Liverpool.
McPhail, M. D. (L. W. Bingham), London.
Madeley, J. R. Y. (H. M. Madeley), Birmingham.
Malik, A. A. (L. H. Salter), London.
Malik, K. H. (A. Maslo), London.
Mann, T. M. (R. Mann), Hexham.
Marrion, A. P. (W. Sowman), Leicester.
[illegible]rsh, P. G. (D. A. Smith), Wolverhampton.
[illegible]rtin, J. R. G. (N. McLaren), London.
Martin, K. R. (E. G. W. Scott), Southend-on-Sea. (*S*)
Maskall, M. E. (B. W. Cutter), London.
Mason, E. (H. R. Powell), Brierley Hill.
Mather, D. J. (A. B. MacIldowie), Manchester.
Mayes, D. A. (W. J. Lawrence), Basingstoke.
Mehta, Z. M. (H. V. Davies), London.
Mells, R. A. (J. Morris), Oldbury.
Meredith, A. (P. E. Littlemore), Manchester.
Miller, J. E. (G. D. Levack), Bury St Edmunds. (*S*)
Miller, J. K. (A. D. Walker), Liverpool.
Miller, J. L. (A. R. Hack), London.
Miller, T. P. (F. Goldstein), London.
Mills, J. L. (H. W. Elliott), London.
Mills, R. B. (R. W. Minns), Birmingham.
Minnican, C. (J. F. W. Robinson), Workington.
Mittias, A. (P. P. Parker), London.
Montgomery, I. J. (R. W. Rodwell), Leicester.
Moorcroft, M. (Miss), (J. W. Lane), London.
Moore, D. (F. L. Prusmann), Manchester. (*S*)
Moore, J. E. (J. D. Barber), Sheffield.
Morgan, D. J. (G. F. K. Morgan), Cardiff.
Moritz, B. M. (L. W. Moritz), London.
Morpeth, R. S. (A. R. Glenton), Newcastle upon Tyne.
Morris, M. (F. Bentley), Bury.
Morris, R. R. (A. W. Dawson), Preston.
Morriss, J. R. (C. W. Raw), London.
Morton, M., London. (*S*)
Moss, C. (P. J. Garland), Birmingham. (*S*)
Moss, M. C. (K. V. R. Heaven), Birmingham.
Mullet, C. C. (P. F. Friend-James), London.
Mullins, D. (W. N. Hoyte), Exeter.
Myddelton, D. R. (J. E. MacSwiney), London.

Nahon, L. R. (D. R. Evans), London.
Needham, M. E. (T. C. Squance), Sunderland.
Neill, D. M. K. (Miss), (F. Winn), London.
Nelkon, A. P. (F. L. Webb), London.
Newland, O. W. (R. L. Tillett), London.
North, D. (A. E. Thebridge), Birmingham.
Norton, D. J. (L. J. Culshaw), London.
Nyunt, K. M. (H. A. Owen), London.

Oakley Smith, C. R. (V. A. Calverley), London.
O'Donoghue, R. C. (E. G. Tilley), London.
Oforiokuma, D. T. (I. M. MacDonald), London.
O'Hagan, M. (B. A. Jones), Manchester.
Ong, E. K. (P. A. Cohen), London.
Orchard, J. R. (R. A. Cook), Cambridge.
Orr, R. M. (R. E. Herington), Birmingham. (*S*)
Osborne, J. B. (J. E. Osborne), Hull.

Page, M. W. (J. S. Hillyer), London.
Paine, R. E. D. (P. Foster), London.
Pantoock, C. M. (R. H. Parsons), Eastbourne.
Paramour, J. C. (J. R. Paramour), London.
Parish, M. J. (J. E. Osborne), Hull.
Parkinson, C. E. (P. H. Tyack), London.
Parrott, J. S. (F. W. English), London.
Parry, M. W. (T. Hughes), Llanrwst.
Partington, I. (D. T. Veale), Leeds.
Payne, W. R. (R. F. C. Ingram), London.
Pearce, G. N. (J. A. Owers), London.
Pearson, G. A. (W. H. Fox), Northampton. (*S*)
Peat, T. C. (C. E. Surman), London. (*S*)
Penrose, A. J. (W. Pomfret), Preston.
Phillips, J. W. (J. R. C. Weber), Cardiff.
Philpott, M. (N. V. Redfern), Gillingham.
Pilgrim, J. B. N. (E. Holehouse), Nottingham.
Plummer, R. A. (G. S. Crookes), London.
Plumridge, B. H. (J. R. Antoine), High Wycombe.
Pollard, M. (C. Metliss), London.
Pollins, M. (H. L. George), Hove.
Potter, V. K. (F. Green), Norwich.
Preston, W. B. (N. Davies), London. (*S*)
Price, R. G. (F. B. Linnett), London.
Prichard, J. R. (W. G. Jones), Llanelly.
Pring, T. N. (J. F. S. Rogers), London.
Prytz, M. H. (H. W. Elliott), London.

Rabjohns, M. W. (A. G. J. Horton-Stephens), Brighton.
Raby, P. (G. H. Scott), Leeds. (*S*)
Race, P. W. (J. P. Fare), Manchester.
Rackstraw, C. A. (D. O. Johnston), London.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Radley, H. M. (R. J. Blincow), London.
Raw, J. R. F. (J. H. Mann), London.
Rawcliffe, T. (S. Thornton), Preston.
Ray, G. S. (S. H. Swallow), London.
Reading, M. R. (R. G. Bowen), Birmingham.
Redington, J. W. (A. H. B. Wood), London.
Rees, J. G. (R. J. G. Lethbridge), Exeter.
Reeve, P. A. (Miss), (H. G. Dunkley), London.
Regan, L. P. (H. Lakeman), London.
Reid, G. A. (J. L. Crow), London.
Rengert, C. (H. E. Hassell), London.
Reynolds, H. R. A. (T. L. Plewman), Leicester.
Richards, I. D. (C. H. King), London.
Rimington Wilson, H. L. (A. J. Heald), Brighton.
Roberts, D. A. H. (K. Spoor), Newcastle upon Tyne.
Roberts, P. (D. Ellis), Portmadoc.
Roberts, P. M. (W. N. Crebbin), London.
Robinson, B. C. D. (F. H. Carter), London.
Robinson, R. J. (G. D. Midgley), London.
Rogers, D. M., Sidmouth. (*S*)
Roiser, D. W. (E. H. Orford), London.
Romain, V. J. (W. G. Payne), London. (*S*)
Romer, A. J. (C. K. Frost), Leeds.
Rorison, D. J. G. (M. E. Smith), London.
Ross, R. W. G. (W. J. James), Brecon.
Rosten, D. (G. A. King), London.
Rowan, N. L. (G. L. Bloom), London.
Rowley, E. M. (Miss), (E. E. V. Rowley), Leicester.
Roxburgh, M. W. (R. B. Wickenden), Coventry.
Rubin, M. (J. Goulding), Chorley.
Rugg, J. L. (C. H. McKnight), London.
Russell, M. K. (W. H. D. Campbell), London.

Saba, M. E. S. (L. A. Anderson), London.
Sadler, J. A. (H. Sadler), Birmingham.
Sales, C. J. (D. O. Johnston), London.
Salt, A. C. (W. B. Chapman), London.
Sargent, C. J. (G. W. H. Palmer), Hull.
Satterthwaite, G. R. (S. Morris), Liverpool.
Saunderson, C. M. (R. E. Warlow), London.
Scales, W. P. J. (J. M. Freeman), Newbury.
Scott, B. D. (R. E. MacFadyen), Newcastle upon Tyne.
Scott, J. R. (R. E. Bolton), Newcastle upon Tyne.
Scott, P. J. (A. C. Croft), Hull.
Screen, M. R. W. (P. M. Lowick), Bristol.
Searle, P. F. (F. Winn), London.
Shafto, R. J. (H. W. V. Pullan), London.
Sharpe, R. B. (D. H. Whinney), London. (*S*)
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Shealer, J. M. (Miss), (A. J. Anderson), Birmingham.
Shepard, J. A. (H. Evans), London.
Shepherdson, J. R. (T. E. Norfolk), Hull.
Simmons, B. E. (G. G. Simmons), Redhill.
Sims, R., Derby. (*S*)
Sinden, M. P. G. (K. A. Pollock), Rochester.
Skelchy, A. J. (G. E. Millson), London.
Slade, C. A. W. (K. F. J. Slade), Birmingham.
Smellie, K. G. (K. J. D'A. Mason), Birmingham.
Smelt, P. A. (D. B. Simpson), Huddersfield.
Smith, A. J. (L. O. Ross), London.
Smith, A. N. C. (N. E. Bicker), Bournemouth.
Smith, B. (F. A. Brown), Dewsbury.
Smith, B. P. (H. E. Brown), London. (*S*)
Smith, D. N. (M. H. Green), Southampton.
Smith, E. P. R. (J. D. Paull), London.
Smith, J. A. (J. E. Critchley), Oxford.
Smith, M. J. (R. H. Gibson), Barnsley.
Smith, P. T. (Miss), (A. E. Day), Maidstone.
Smith, S., Liverpool. (*S*)
Smith, T. A. (A. J. Fullerton), Harrogate.
Snape, J. W. G. (F. W. Nicholls), Shrewsbury. (*S*)
Snowden, D. J. (C. Long), Bradford.
Snowden, T. D. (G. A. Williams), Newport, Mon.
Solomon, N. A. (H. Reeve), London.
Solomons, K. S. (M. Owen), Swindon.
Somekh, V. A. (Miss), (G. A. Weiss), London.
Soughton, J. E. (J. C. Heath), London.
South, R. D. (R. A. Maude), Leeds.
Spence, D. (C. W. H. Jackson), Nottingham.
Spencer, R. G. (S. B. Smith), Liverpool.
Spratt, P. F. (C. F. Hughes), Walsall.
Sprunt, N. W. (R. Grimble), London.
Stables, J. C. (Miss), (V. A. S. Goddard), London.
Stanley, N. G. (E. Midgley), Manchester.
Stead, P. V. (K. A. Fossey), Leeds.
Stevenson, A. L. (P. D. Lace), Bristol.
Stevenson, D. (J. M. E. King), Manchester.
Stewart, H. P. (P. E. Heywood), London.
Stirling, A. P. (W. H. Bevan), London.
Stone, R. (H. R. Horne), Derby. (*S*)
Stott, B. G. (F. J. Nash), Preston.
Sturge, M. G. (D. G. Richards), London.
Stuttaford, T. F. (A. R. Tyler), East Grinstead.
Sumner, E. J. (G. A. Bell), Manchester.
Svendsen, J. H. (L. C. E. Webber), London.
Sweatman, I. M. (J. A. Hill), London.
Swinnerton, P. R. (G. E. Goodchild), Ipswich.

Tait, W. (D. E. Heron), Workington.
Tame, J. T. (F. P. Wilson), Manchester.
Tan, C. C. (S. C. Selwyn), London.
Tayler, R. J. (R. R. Coomber), London.
Taylor, A. M. (S. J. Drakeley), Nuneaton.
Taylor, D. (J. R. H. Godkin), Loughborough.
Taylor, M. J. G. (E. C. Mercer), Liverpool.
Taylor, J. M. (L. D. Harrison), Oldham.
Telling, R. C. (R. F. Cheesman), London.
Thickbroom, P. A. (K. E. Davis), Enfield.
Thom, J. R. D. (G. H. P. Laban), London.
Thomas, B. P. (T. A. Cotterill), Birmingham.
Thomas, D. L. (J. J. Wale), Swansea.
Thompson, D. J. (C. T. Plant), Derby.
Thompson, K. (R. M. Ealand), Bath.
Thomson, D. G. (R. R. Pickering), London.
Thornes, F. C. (F. Fox), Bradford.
Thurlow, D. J. (D. G. Gordon), Bournemouth.
Tidy, A. D. G. (R. F. George), London.
Till, I. J. (J. D. Clark), London.
Timms, R. E. (S. R. Eason), London.
Tiptaft, D. H. P. (C. P. Tiptaft), Mexborough.
Tomlinson, A. G. (W. H. Minter), Brighton.
Tope, E. V. (A. L. Goodman), Plymouth.
Townsend, P. H. (N. W. Smith), London.
Trump, P. J. R. (P. J. N. Biggs), Barnstaple.
Tuke, J. E. (C. R. Booth), Bradford.
Turl, G. (P. Shapland), Taunton.
Turley, R. C. (G. W. Hunt), London.
Twigg, M. D. (J. M. Grosse), Sheffield.
Tyrls, M. (L. S. Deacon), Wolverhampton. (*S*)
Tyson, D. R. (W. B. Waite), Barrow-in-Furness.

Valentine, J. H. (F. Schofield), Oldham.
Vanspall, O. A., London. (*S*)
Vincent, H. A. (G. R. Lowe), London.
Viner, J. H. W. (R. Bell), London.

Wade, A. F. (A. R. Hall), Liverpool.
Wainwright, B. W. (C. Wallington), London. (*S*)
Walk, D. R. (G. W. Percival), Birmingham.
Wall, B. (J. D. Britton), Nottingham.
Walker, D. (D. C. Brotherton), Manchester.
Walker, J. M. (T. D. C. Taft), Nottingham.
Walker, K. (A. K. Gibbs), Uxbridge.
Wallace, A. L. J., Tonbridge. (*S*)
Walsh, L. (J. Pollard), Accrington.
Walton, D. J. (W. H. Oury), Slough.
Ward, A. D. (R. G. C. Horton), London.
Ward, K. E. (J. A. Baker), Bournemouth.
Ward, N. R. (G. M. Harrison), Horsham.
Warhurst, B. (S. Barlow), Manchester.
Warr, J. W. (J. L. Castle), Birmingham.
Warren, G. (D. J. Brass), London.
Weatherall, A. D. (J. H. Mann), London.
Weaver, M. H. A. (W. W. Brown), Birmingham.
Weigh, P. L. (F. Williams), Liverpool.
Wein, B. (A. A. Nyfield), London.
Weller, J. N. (S. T. Farmiloe), Birmingham.
Wenman, P. W. (J. C. Knowles), Letchworth.
West, J. F. M. (G. W. Wood), Manchester.
Wetherell, L. (A. V. Hedges), Burnley.
Whichelow, R. A. (R. B. Hill), London.
Whipp, J. A. (C. S. Moores), Exeter. (*S*)
White, D. R. (K. J. Milligan), Birmingham.
Whitelegg, J. R. (B. W. T. Cooper), Bolton.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

Wick, D. A. (V. S. Gregg), London. (*S*)
Wignall, N. O. (P. J. Fogden), London.
Wilcher, C. D. (J. W. G. Mitchell), Bradford.
Wilde, N. P. (N. B. Hayman), London.
Williams, B. P. (B. W. Brewer), London.
Williams, D. J. (C. G. Jolliffe), Newport, Mon.
Williamson, A. G. C. (W. M. H. Nash), Weston super Mare.
Wilson, K. A. (J. H. Girdwood), London.
Winter, P. W. (W. B. Wevell), Wells.
Winterfeld, J. A. (R. J. H. Eagle), London.
Wisely, J. C. (J. C. Luckin), Chelmsford.
Wogan, J. C. (Miss), East Grinstead. (*S*)

Woodford, K. R. (L. Booth), Witney.
Wren, J. R. C. (J. E. Williams), London.
Wynniatt-Husey, R. E. (D. W. Pratt), London. •

Yates, J. O. (H. R. Hayes), Manchester.
Yates, R. B. (K. J. D'A. Mason), Birmingham.
Yelland, A. P. (J. B. Worley), London. (*S*)
Youle, E. R. G. (L. J. Cocke), London.

Zeital, K. J. (D. Clayton), London.

* See also Certificates of Merit above.

(*S*) Service in accordance with the regulations of the former Society of Incorporated Accountants.

653 Candidates passed. ***739 Candidates failed.***

PRELIMINARY EXAMINATION

Held on May 13th, 14th, 15th and 16th, 1958

Full List of Names of Successful Candidates

(in alphabetical order)

Adebiyi, R. A., Manchester.
Adey, J. V., Chalfont St Giles.
Allan, R. D. F., Sherborne.
Asquith, R. W., Bramhall.

Baxter, J. F., Sleaford.
Bedford, J., Bradford.
Bell, R. W., Selsey.
Benn, C. W., Liverpool.
Birch, N. M., Liverpool.
Bungard, M. N., Worthing.
Burt, E. P. B. M., Chippenham.

Cansick, T. A., Hatch End.
Cohen, S., London.
Constantinou, D., London.
Corscadden, B. J. A., Wakefield.
Cox, M. A. (Miss), Southampton.
Crook, D. M., Bolton.

Dainty, B. R., Wolverhampton.
Davis, R. M., Birmingham.
Doherty, P., Sheffield.
Dungay, J. A., Shirley, Surrey.

Fautley, D. P., London.
Flannery, K., Stockport.

Goodwin, D. J., Maidstone.
Greenough, M. A., Bradford.
Griffin, D. S., Beckenham.
Gunasekera, N. D. S., London.

Heaton, J. A., Wigan.
Holmes, G., Wakefield.
Howarth, B. J., Bradford.
Humby, M. J., Salisbury.

Ineson, E., Heckmondwike.

Johnson, H. W. (Miss), London.

Marginson, T. B., Chorley.
McGaughey, P., Shrewsbury.
McLaren, S. P., London.
Milner, T. W., Bradford.
Mitchell, D. J., Littlehampton.
Murugiah, A.-V., London.

Newland, P., Barwick-in-Elmet.

O'Neill, W., Blackburn.

Pass, P., Manchester.
Patel, H. K., London.
Pollard, J. W., Derby.
Power, M. A., Kingston upon Thames.
Procter, J. P., Sutton.

Scales, J. R. Barwick-in-Elmet.
Shariff, M. N., London.
Shields, R. P. S., Lytham St Annes.
Simonds, G. D., London.
Smith, A., Heywood.
Sotiris, R. L., London.
Still, T. D., Kingston upon Thames.
Storr, L. G., Cardiff.
Supiramaniam, S., London.

Thurairajah, K., London.
Turner, J. B., Leicester.

Walsh, E. F., London.
Whitaker, J. E. A., Tring.
Whitehouse, D. J., Birmingham.
Widdowson, K. J., Bradford.

61 Candidates passed. ***138 Candidates failed.***

Summary of Results

	Final	*Intermediate*	*Preliminary*	*Total*
Candidates Successful	*496	653	61	1,210
Candidates Failed	532	739	138	1,409
Candidates Sat	1,028	1,392	199	2,619

EXAMINATIONS OF THE SOCIETY OF INCORPORATED ACCOUNTANTS

(In Voluntary Liquidation)

The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants of Scotland, and The Institute of Chartered Accountants in Ireland, in accordance with the schemes of integration with The Society of Incorporated Accountants (in voluntary liquidation), conducted the Intermediate and Final examinations of the Society in May 1958. The following candidates were successful:

FINAL EXAMINATION

1. Candidates for membership of The Institute of Chartered Accountants in England and Wales.

Aarons, S. (David Clayton & Co), London.
Addy, B. A. (Peat, Marwick, Mitchell & Co), Manchester.
Alcock, J. A. (Baker & Co), Northampton.
Aldred, D. J. (Harold Moon & Taylor), Doncaster.
Alexander, B., B.COM. (Evans Smith, Boothroyd & Co), London.
Anderson, A. J. (West & Drake), London.
Anderson, G. (Howard Smith, Thompson & Co), Birmingham.
Anderson, G. R. R. (Dixon, Wilson, Tubbs & Gillett), London.
Andrews, B. (Portlock & Co), London.
Armstrong, N. A. (Styler, Fray & Whittingham), Manchester.
Arnold, W. D. (City Treasurer's Department), Plymouth.
Ascough, I. J. (G. H. C. Stanley & Co), Birmingham.
Ashley, A. M. (Deloitte, Plender, Griffiths & Co), London.
Aslett, A. E. (Deloitte, Plender, Griffiths & Co), London.
Aspin, G. (Kilby, Sutcliffe & Co), Halifax.
Austin, K. R. (J. Summerskill & Son), Liverpool.

Badger, J. S. (Hibbert, Sier, Woods & Co), London.
Baker, P. R. (P. V. A. Oldak), London.
Ball, L. A. (Reads, Cocke & Watson), London.
Barker, P. (W. D. Burlinson & Co), Ossett.
Barlow, E. (Stockwell, Williamson & Co), Manchester.
Bassett, O. M. J. (Crick & Bussell), London.
Bazar, A. (Price Waterhouse & Co), London.
Beagent, D. J. (A. E. Quaife & Gower), London.
Beaumont, M. D. (Stephenson, Nuttall & Co), Newark.
Bee, E. R. (J. Nicholson & Co), Lincoln.
Bellis, J. A. (Harmood Banner, Lewis & Mounsey), Manchester.
Bendall, D. H. (Carlisle, Ray & Co), Nottingham.
Berry, G. P. (Cooper Brothers & Co), London.
Best, J. D. (D. P. Newell, Wright & Co), Kidderminster.
Betts, D. R. (Cooper Brothers & Co), London.
Birch, W. A. (Agar, Bates, Neal & Co), Birmingham.
Bird, F. T. G. (F. Roberts & Co), Northampton.
Booth, D. B. (Watson, Waddington & Sharp), Doncaster.
Bowen, J. N. (Bowen, Dawes, Wagstaff & Co), Worcester.
Bowman, K. R. (W. L. Gallant & Co), Leeds.
Bown, J. L. (Hudson Smith, Briggs & Co), Bristol.
Brewer, D. G. A., B.A. (Pannell, Crewdson & Hardy), London.
Bridger, C. H. (Milne, Gregg & Turnbull), London.
Broadbent, K. F. (Firth, Parish & Clarke), Bradford.
Brooks, N. J. (Slipper & Co), London.
Brown, D. (Peat, Marwick, Mitchell & Co), Bradford.
Bryan, J. D. (Singleton, Fabian & Co), London.
Buckley, M. L. (H. V. Bamford & Co), Bradford.
Bunting, F. T., B.SC. (Whinney, Smith & Whinney), Birmingham.
Burns, M. (Elliott, Adrian Jacob & Co), London.
Bush, P. A. (Hudson Smith, Briggs & Co), Bristol.
Bygrave, C. (Godfrey, Laws & Co), Luton.
Byrt, D. H. (Beal, Young & Booth), Southampton.

Cake, M. W. J. (M. W. Pike & Co), Axminster.
Cardosi, R. F. (Kemp, Chatteris & Co), London.
Carroll, D. J. (Chalmers, Wade & Co), London.
Carvel, F. W. W., M.A. (Turquand, Youngs & Co), London.
Chalk, H. R. (Baker, Sutton & Co), London.
Chappell, B. A. (Turquand & Son), Dunstable.
Chipchase, J. M. (Seddon, Magnay & Spoors), Newcastle upon Tyne.
Clark, J. M. D. (S. J. G. Southon & Co), Poole.
Clasen, W. G. (Hogg, Bullimore & Co), London.
Clements, R. W. (Cooper, Cozens & Co), Colchester.
Cloran, K. D. (Willett, Son & Garner), Manchester.
Collier, W. J. R. (Howard Smith, Thompson & Co), Birmingham.
Constable, S. E. (Thornton & Thornton), High Wycombe.
Coombes, R. E. (Westlake, Clark & Co), Southampton.
Copelin, J. E. (Pettitt, Maddox & Co), Bournemouth.
Corlett, (Miss) E. A. (Albert Hill & Co), Douglas, I.O.M.
Coulson, E. (Peat, Marwick, Mitchell & Co), Newcastle upon Tyne.
Coupar, J. McD. (C. H. Jefferson), Scunthorpe.
Cowell, W. J. (Shannon, Kneale & Co), Douglas, I.O.M.
Cox, J. B. D. (Allchurch, Kelland & Co), Evesham.
Crawford, T. B. (James Worley & Sons), London.
Crawley, J. T. (Scott, Firth & Shaw), Leeds.
Crewe, G. F. (Russell Tillett & Co), Manchester.
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Daly, D. K. (F. W. Clarke & Co), Leicester.
Davies, C. M. (Handley, Wilde & Charlton), Manchester.
Davies, I. P. (K. H. A. Knight), Abergele.
Davies, S. E. (Womersley & Tweedale), Manchester.
Davy, R. A. (Peat, Marwick, Mitchell & Co), Middlesbrough.
De Menezes, D. J. S., B.A.(ECON.) (Messik, Arthur & Co), London.
Dendy, T. A. G. (Pannell, Crewdson & Hardy), London.
Dervin, K. G. (Greenhalgh, Sharp & Co), Manchester.
Dingley, J. B. (Thomas May & Co), Leicester.
Dore, B. J. (Messenger & Kirkman), Oxford.
Dorton, R. H. (Clark, Battams & Co), London.
Dowle, J. M. (Joy, Lane & Co), Weymouth.
Downey, F. J. (Slipper & Co), Worthing.
Doxey, P. (R. Smith & Co), Blackburn.
Draper, D. G. (Kingscott, Dix & Co), Gloucester.
Dunkley, N. F. (F. Roberts & Co), Northampton.
Dunn, E. A. (Whitfield & Co), Leeds.

Ebrahim, S. (F. W. Coope & Co), Blackpool.
Edmundson, H. (Borough Treasurer's Department), Southend-on-Sea.
Edwards, W. J. (Ralph D. Higgs, Foreman & Co), Haywards Heath.
Endersbee, B. J. (Deloitte, Plender, Griffiths & Co), London.
Enos, B. (Pannell, Crewdson & Hardy), London.

Featherstone, J. R. (G. N. Randle & Co), Sunderland.
Fitch, R. (Henry Smith, Hamer & Co), Manchester.
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Fowler, D. G. (Jackson, Pixley & Co), London.
Fraser, A. T. (Seddon, Magnay & Spoors), Newcastle upon Tyne
Fuller, W. A. V. (Bowman, Wilson & Co), London.

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Hibbert, W. (Midgley, Gerrard & Co), Bolton.
Hill, D. T. (Armitage & Norton), Huddersfield.
Hirons, D. R. (T. E. Lowe & Co), Wolverhampton.
Hockney, J. H. (Alfred G. Deacon & Co), Leicester.
Holden, R. C. (Ministry of Housing and Local Government), London.
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Holland, D. (Thomas Leech & Son), Blackburn.
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Pearson, A. E. (Peat, Marwick, Mitchell & Co), Newcastle upon Tyne.
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Pipe, K. W. (Deloitte, Plender, Griffiths & Co), London.
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Poole, R. P. (George J. Hockman & Co), London.
Price, G. J. (Keens, Shay, Keens & Co), Luton.
Price, P. J. (Borough Treasurer's Department), Weston-super-Mare.
Pryle, J. (F. W. Coope & Co), Blackpool.
Pursall, A. (Shipley, Blackburn, Sutton & Co), London.

Quail, N. W. (Wilkinson & Freeman), Preston.

* Awarded Honours.

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Steer, M. J. (Slipper & Co), London.
Stephenson, J. N. (Cooper & Cooper), London.
Stringer, G. (W. Anderson & Co), Liverpool.
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Sunderland, R. (Heselton, Allan & Co), Bradford.
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Townend, M. H. (Porter, Matthews & Marsden), Blackburn.
Tresadern, W. (Tribe, Clarke, Painter, Darton & Co), London.
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Udall, W. H. T. (Jack Reddaway), Exeter.
Urquhart, R. H. (James, Edwards & Co), London.

Vesty, J. E. (Elverstone, Marsh & Co), Leicester.
Vize, J. C. (Griffith & Miles), Slough.

Walker, P. F. (Croudson & Co), Leeds.
Walters, B. E. (Greenslade & Co), London.
Wamsley, (Miss) D. M. (Cassleton Elliott & Co), London.
Warden, F. W. (Wykes & Co), Leicester.
Waterhouse, G. (Kitson, Hardy & Sharpe), Wakefield.
Watson, E. J. (Clay, Russell & Co), Nuneaton.
Webb, R. D. (Spain Bros. & Co), London.
Wedgbury, R. (John Flay & Co), Worcester.
Weir, G. G. (Herbert Armstrong & Co), Newcastle upon Tyne.
Weir, J. (Norman Hurtley & Co), Leeds.
White, R. G. (Payne, Stone, Fraser & Co), London.
White, W. D. (Moore,Stephens & Co), London.
Whitehead, K. H. (Keens, Shay, Keens & Co), Wolverton.
Whittaker, A. (W. Ainsworth & Co), Blackburn.
Wigley, R. W. (C. Herbert Smith & Russell), Birmingham.
Wilds, L. J. (Sheppard & Whittam), London.
Wilkinson, D. N. (Cooper Brothers & Co), Sheffield.
Williamson, C. (Price Waterhouse & Co), London.
Wilson, J. K. (Spicer & Pegler), London.
Wilson, W. (Winter, Robinson, Sisson & Benson), Newcastle upon Tyne.
Window, J. McE. (Barron, Bass & Co), London.
Winter, E. (Sayer, Watson & Co), London.
Wood, C. R. (Wade Hustwick & Sons), Bradford.
Wright, J. C. (Brown & Piper), Sunderland.
Wright, M. D. (Pickard, Penny & Co), Leeds.
Wyatt, V. J. (Temple, Gothard & Co), London.

Yeomans, J., B.A. (Cyril Arnold & Co), Rhyl.
Yorke, R. H. (Baker, Jones & Co), Wolverhampton.
Young, K. A. (Peat, Marwick, Mitchell & Co), London.

2. Candidates for membership of The Institute of Chartered Accountants of Scotland.

Campbell, I. (Chas. Leigh Brown & Son), Glasgow.
McFadyen, J. McL. (Alex. M. Shaw & Co), Glasgow.
Smart, J. C. (Festus Moffat & Co), Falkirk.
Stewart, C. T. (Alex. M. Shaw & Co), Glasgow.
Watson, L. D. (Howden & Molleson), Edinburgh.

3. Candidates for membership of The Institute of Chartered Accountants in Ireland.

Bolton, A. A. (W. J. M. Stewart & Co), Belfast.
Butler, D. S. (Atkins, Chirnside & Co), Cork.
Cody, J. F. (M. K. Brazil & Son), Waterford.
Cunningham, E. (Martin Shaw, Leslie & Shaw), Belfast.
Davies, T. W. (J. A. Kinnear & Co), Dublin.
Devlin, J., B.COM. (McKinley, Johnston & Co), Cookstown.
Hegarty, M. J. (S. H. Moore), Cork.
Hope, W. J. (Wright, Fitzsimons & Cameron), Belfast.
Hutcheson, J. B. (J. J. Morrow), Belfast.
Martin, A. G. (Hill, Vellacott & Bailey), Belfast.
Mulvey, G. J. (Atkinson & Boyd), Belfast.
O'Hare, H. F. (John Courtney & Co), Belfast.
O'Shea, S. (Wm. C. Ribbeck & Co), Dublin.
Walsh, W. F. (Pelham Plunkett & Co), Waterford.

Summary of Results

	FINAL			
Candidates	*Parts I & II*	*Part I*	*Part II*	INTERMEDIATE
Passed	6	193	299	259
Failed	10	223	162	308

Three candidates who sat for Parts I and II of the Final examination satisfied the examiners in Part I only.
Eight candidates who sat for Parts I and II of the Final examination satisfied the examiners in Part II only.

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The Farm as a Business

TWO publications have recently been issued by the Ministry of Agriculture, Fisheries and Food concerned with farm management[1]. The first of these, *The Farm as a Business*, is the latest edition of a work first published in 1955, primarily for the use of those engaged in farm advisory work. The second, *Records and Accounts for Farm Management*, is a new publication on the subject written for the guidance of farmers and their accountants in the preparation and use of farm accounts.

Both books are intended to supplement each other and it goes without saying that the need is to point the way towards greater efficiency in the use of farm resources of land, stock, labour and capital employed. There is, perhaps, no novelty in this as can be seen from the growing list of publications which have appeared over the last few years. Indeed, the flow of literature on the subject is such that it is tempting to assert that there is very little in the way of new ideas which can be brought to bear and the only difference between one book and another is in the manner of presentation.

Despite the pious hopes expressed in the forewords to both the new books, there is a fear that the message which they have to convey reaches only a very small percentage of the 200,000 or so farmers in Great Britain, the majority of whom are struggling to make a living, the standard of which is deplorably low when compared with what they themselves could earn if employed as farm workers by some of their more prosperous brethren. At the same time we must not forget that for the employee in farming the basic wage is perhaps lower than in any other industry in these islands. This is an appalling thought when we stop to consider how dependent the community is on the produce of his labour and what a variety of accomplishments he has to have at his command compared with the employee on a mechanical assembly line who probably earns twice as much.

We are told that the agricultural industry cannot afford to pay higher wages. On its present showing that is probably true, although it is being subsidized as no other industry is to the tune of between £200- and £300-million annually. We are also faced with the fact that many of the primary products can be imported and sold in this country more cheaply than we can produce them ourselves despite the long haul from the other side of the world.

Where then lies the trouble? Many reasons are advanced; that units are too small; that many are under-capitalized and cannot afford to modernize their equipment; that farmers are struggling to get adequate production from marginal and unproductive land; that unfair competition from abroad and low prices prevent the earning of a margin of profit sufficient to provide replacement of stock and equipment; that marketing and publicity are inefficient – and a score of other reasons. And yet despite all this there are farmers who in the face of all these alleged handicaps have in recent years worked up from small beginnings into large and efficient enterprises showing ample profits, and who are able to reward their employees with wages which are very much higher than the agreed basic rates, but whose cost of production is such that they do not have to depend on subsidies and guaranteed prices.

---

[1] *The Farm as a Business.* H.M.S.O. 7*s*. *Records and Accounts for Farm Management.* H.M.S.O. 4*s* 6*d*.

Is it to be assumed from what is said that the farmer is not getting sufficient advice and help about his management from accountants and others who are in a position to provide him with this information? Much has been said on the subject of the help which the accountant can provide by producing informative accounts, either directly to his farmer client, or for the use of and interpretation by, the National Agricultural Advisory Service. We are firmly convinced from our knowledge that the accountant in practice who is largely concerned with this type of work is, in most cases, fully alive to the benefits which he can provide for his clients and he makes considerable efforts to do so within the limits imposed by the very modest fees which he can expect to receive.

As a nation we favour free enterprise and do not take kindly to Government control whether by financial or any other measures. On the other hand, we were forced by wartime conditions and those applicable to the post-war period to adopt means of encouraging increased agricultural production. With our balance of trade problem this need still exists, aggravated by the fact that good farmland is continually being taken for other purposes. The result that has been achieved in obtaining a greater volume of production from fewer acres is quite extraordinary but this is not matched by the same degree of success in economic efficiency. The consumer and taxpayer are entitled to ask whether the cost of subsidies and grants could not be used to better advantage by promoting improvement in management technique.

In our opinion the search for the root of the problem brings us back to the title *The Farm as a Business*. The real trouble appears to be that in the majority of cases where moderate success does not crown the farmer's efforts he is failing to run his farm as a business. A man endowed with good business capabilities can make a financial success of farming as he might of almost any other calling. It cannot be denied that he must also have the means of commanding the necessary technical skill, but this is of little use unless it is linked with efficient management. Too many people are in farming for reasons which do not make for efficient management and once involved they are unable to extricate themselves without facing a financial catastrophe. Too many people drift into farming as a result of the lure that it is a 'way of life' – for many of them that means a life of serfdom with little hope of relief. Such sentimental attachment is wrong: farming is a serious and competitive business and if viewed in any other way can only become an utterly unrewarding earth cycle. Let us quote from the introduction to *The Farm as a Business* (the italics are ours):

'Successful farm management requires:

(1) *An understanding of the basic principles* underlying the successful organization and operation of the farm as a business.
(2) *An understanding of the existing position of the farm business* by the analysis and interpretation of farm accounts and other suitable farm records.
(3) *Ability to make long-term and short-term plans* for the farm business with the aid of budgeting techniques.
(4) A knowledge of facts and figures relating to the range of technical and economic possibilities for varying the organization and operation of a farm.
(5) *Ability of the farmer to carry out the plans*; to make day-to-day decisions affecting the farm operation; and to keep effective control of all the farm resources.'

The accountant and the farm advisor can both play their part, but if the farmer himself cannot take his full share in solving the problem their work will be wasted. The emphasis in our italics in the above quotation is on ability and understanding and that is what in the end must count. Only in this way can adequate wages, low costs, removal of subsidies and reasonable profits be achieved in what is, perhaps, the nation's most important basic industry.

The Finance Act, 1958–I

THE Finance Act, 1958, received the Royal Assent on July 31st, just sixteen days after three entirely new clauses had been introduced – two of them long and complicated – and several other amendments had been made. These last-minute major upheavals in the Bill's drafting made full discussion of the Bill before it reached the Statute Book rather difficult.

The two complicated sections are about settlements and they make significant amendments to the anti-avoidance legislation contained in Part XVIII of the Income Tax Act, 1952.

Section 20: Children Settlements

Section 20 deals with settlements on the infant minor children of the settlor, which are the subject of Chapter II of Part XVIII, comprising Sections 397 to 403 inclusive. Payments of settlement income to or for the benefit of the settlor's child have hitherto been caught if the child was an infant and unmarried, not necessarily at the time of payment, but at the commencement of the tax year in which the payment was made. This was somewhat anomalous in its effect. On the one hand, once it is conceded that payments to children who are married or of age should not be caught, it is absurd to disallow a payment merely because the child was not married or of age some time before the payment was made. On the other hand, looking at the first tax year of the child's existence, it seems equally absurd that payments in that year should escape Section 397 merely because at the beginning of it the child was not yet born. Section 20 now puts this right in relation to all payments made after 1957–58, except a payment made during 1958–59, for the benefit of a child born after April 6th, 1958, and made by virtue of a settlement made before July 9th, 1958. The latter date was the date on which the Government's proposal to make the change was made public. The draftsman has excluded not only payments made for the benefit of these months-old children, but also payments made *to* them; another example of the lack of imagination in current Finance Bill drafting.

The change will put an end to a grievance felt by settlors where accumulated income has been paid out to twenty-one-year old children, and has unexpectedly given rise to heavy surtax liability on the settlor. On the other hand, it will prevent the hitherto widespread practice of parents making 'seven-year' covenants in favour of their newly-born children.

Meaning of 'Irrevocable'

Section 398 in effect permits a parent to avoid tax by a settlement on his infant unmarried children, provided that the income is accumulated and the settlement is 'irrevocable' in the special sense given to that word by Section 399. Under that section a settlement cannot be irrevocable if, *inter alia*, its terms provide for the determination of the settlement by the act or on the default of any person. The practice has grown among conveyancers in recent years of inserting an overriding provision in a settlement under which the trustees have power to pay over capital sums to certain persons. One reason for this is a desire to enable the parties to avoid estate duty where for instance there is an aged and wealthy life-tenant. If, under the terms of such a provision, it is possible (however unlikely) for the whole of the settled fund to be paid away in this manner, the Inland Revenue have argued that the terms of the settlement 'provide for its determination', within the meaning of Section 399.

The rigours of Section 399, as construed by the Inland Revenue, are softened by three provisos, the second of which originally provided that the settlement should not be deemed to be revocable by reason only that it provided for the determination in such a manner as would not, during the lifetime of the infant child concerned, benefit any person other than such child, the child's wife or husband, or the child's issue. Even so, if there was a settlement on two or more children of the settlor and the trustees had in effect power to pay away all the capital to one of the children, it would follow from the Revenue argument mentioned above, that the settlement was 'revocable'; a result as harsh as it is pointless. The Government have now recognized this by passing subsections (5) and (6) of Section 20.

Subsection (5) amends the proviso so as to make it apply in every case where the determination will not, during the life of the infant child, benefit the settlor or the wife or husband of the settlor. Thus the test is brought nearer to the test employed for the determination of revocability for the purposes of Section 404.

Section 20 (6) deals with the case where income of an 'irrevocable' settlement of capital is accumulated so as to avoid being taxed as the settlor's and then subsequently sums are paid to the infant out of the settlement funds. Section 398 (2) (*b*) provides that such sums shall be deemed to be paid to the infant as income (i.e. shall be caught by Section 397) except to the extent that the sums so paid, together with the sums previously so paid, whether to that child or to any other child who was an infant at the time of payment, exceed the income arising since the settlement was made or since it became 'irrevocable', whichever is the later. Section 20 (5), as indicated above, will have made irrevocable many settlements previously revocable. Section 20 (6) provides that for the purpose of Section 398 (2) (*b*) the change to irrevocability is to be deemed to have taken place on April 6th, 1958 – an example of retrospective legislation with which no one will quarrel.

Section 22: Discretionary Trusts

Section 22 intensifies the anti-avoidance legislation directed against settlements where the settlor or his wife have an interest in the settled property or income. Already, under Section 405 of the 1952 Act, wherever settlement income is accumulated and the settlor or his wife has an interest in it, the accumulated income is deemed to be the settlor's for income tax and surtax purposes. Section 22 in effect extends Section 405 to cases where the income is not accumulated. One common example is the discretionary trust, under which the trustees have a discretion to distribute the income among a very wide class of persons who are in some way connected with the settlor. If the settlor or his wife is a member of the class, the Government now take the view that he has not effectively disposed of the income so as to be entitled to avoid tax on it, even though it is, in fact, paid to other members of the class.

Section 22 (1) provides that if and so long as the terms of a settlement (wherever made) are such that any person has a discretionary power (immediately or in the future) to secure the payment or application of the settled property or income for the benefit of the settlor or the settlor's spouse, the settled income is to be deemed to be the income of the settlor's for all the purposes of the Income Tax Acts.

Subsection (2), like the provisos in Section 404 of the 1952 Act, exempts cases where the discretionary power cannot be exercised within six years after the settled income first arose. Subsection (3) exempts cases where the settlor would not be deemed to have an interest if the tests laid down by the proviso to Section 405 (2) were applied. Interests of the settlor which can only bring benefit on such events as bankruptcy or death of the principal beneficiaries are thus immune from Section 22.

Section 22 (4), (5): Transitional Provisions

In general, Section 22 (1) applies for income tax for 1958–59 and subsequent years, and for surtax it applies a year earlier (subsection (4)). However, in the case of settlements made before July 9th, 1958, which are caught by Section 22 (1) but were not caught before, the parties are given an opportunity to take avoiding action. To succeed in this, they must satisfy three conditions, as follows:

(i) no discretionary power caught by Section 22 (1) has been exercised after July 8th, 1958; and

(ii) the power cannot be exercised after April 5th, 1959, or such later date as the Inland Revenue may allow; and

(iii) neither the settlor nor the settlor's spouse has received or is entitled to any consideration or benefit in connection with (i) or (ii).

Taxpayers who wish to avoid Section 22 (1) in this way are expected to exercise due diligence in having the settlement altered but it is recognized that this process may be complicated and difficult. The task has been made easier in many cases by the Variation of Trusts Act, 1958, but legal difficulties may still hold up the change until after next April, in which case the Inland Revenue will no doubt exercise their dispensing power.

Section 22 is added to Part XVIII of the 1952 Act, and is deemed to be included in Chapter II immediately before Section 406; while the references in Sections 407 (1) and 408 (2) to Section 404 are to be deemed to include references to Section 22.

(*To be concluded.*)

The Cost of Space

by A. H. TAYLOR, M.C., A.A.C.C.A.

The Need for Control

OF the many expenses which are incurred in the provision of goods and services, one of the most significant is the cost of using the buildings in which the work is carried on. Because this expense is of a fixed nature, accounting information bearing on the control of space costs is often neglected. The efficiency of a competitive business may, however, be as much dependent on the economic usage of the available space as of labour, material and all the various facilities which serve the direct operations. In order that managers shall be in a position to make soundly based plans and decisions bearing on the advantageous use of space, there is a need for the accountant to supply precise information as to the present and probable future cost of the space occupied or to be occupied by each activity.

Where premises are leased, the rent per square foot occupied by a workshop or administrative department is a commonplace business statistic; where the freehold is owned or the premises are held under a long lease for which a substantial premium has been paid, departmental costs will not be comparable or complete unless they include either a notional rent or an allocation of interest on the capital invested in the building.

The mere recording of such expenses in the departmental accounts will not, however, indicate whether the space is being used economically. Moreover, the cost of using space is not confined to the rent payable or interest on the capital sunk in the building. There are, in addition, costs such as dilapidations, maintenance, rates, insurance, normal lighting and heating, and certain salaries, wages and consumable stores incurred as a direct result of the occupation of the premises.

Allocating the Cost

For the purpose of presenting information designed to assist management in controlling the economic usage of space, two factors are required: one is an accurate assessment of the total cost of the space used by each department or function of the business; the other is a standard in relation to which the cost of space in each department can be measured.

Some of the main ingredients in the cost of space have been indicated above. Depending on the size of the business, the accounting facilities available and the degree of accuracy required, certain apportionments of the expenditure totals shown in the general ledger control accounts are necessary. It may be considered desirable to allocate as part of the cost of space, all or a proportion of the labour and material cost of maintenance, security, cleaning, and the salaries of the managers responsible for those functions.

In some accounting systems all the elements in the cost of space are transferred from the various expense accounts in the general ledger to a control account headed by some such title as 'Building expense'. It seems, however, preferable for the general ledger to record totals of kinds of expenses, e.g. wages, material, depreciation, etc., without deduction, and for subsidiary analyses into functions and departments to be carried out by means of costing tabulations. Whatever may be the appropriate accounting mechanics for the business concerned, the next step will be to attribute the space costs to the managers under responsibility headings.

Some arbitrary apportionments will have to be made as, for example, in regard to the cost of security staff and the cost of redecorating the whole of the factory premises. These apportionments, as well as the basic expenses of rent, rates and insurance, may be calculated on the basis of the area or cubic capacity occupied by each department.

Unused Space

As one of the important objects of the exercise is to attribute to the various managers responsibility for the economic usage of the space occupied by their departments, it is incorrect to apportion to such departments the cost of unused facilities. Unused space costs include not only the rent (or interest charge), rates and insurance of unoccupied areas, but also the appropriate proportion of the ancillary costs such as maintenance, heating and lighting and so forth, involved in servicing the vacant areas. In the accounting reports the cost of unused areas should be shown separately and attributed to top management with the inference that action is required to make profitable use of those areas.

Once individual managers are required to account for the cost of the areas their departments occupy and are satisfied that the allocation is correct, the natural consequence will be for them to withdraw into only such space as is sufficient for their activities, and spare space will become self evident. The accounting effort involved so far will, therefore, already be producing the valuable result of highlighting unused facilities.

By the segregation and allocation of building expense on the lines outlined above, the accountant will be able to demonstrate that the cost of the space occupied by a particular department is high or low compared with the cost in a similar past period. But such information will not, in itself, show whether the areas concerned are being used to the best advantage of the business as a whole. The next important operation is, therefore, to relate the costs to an effective and carefully assessed standard of measurement.

The Standard of Measurement

Since the object of occupying business premises is to carry out a certain volume of work, it is logical to relate the cost of the space used for that purpose to the volume of work which is, or is planned to be, performed in the area. It is thus not so much the absolute cost of the space which is important but the cost per unit of output carried out in the area. The problem resolves itself into ascertaining the factors which best represent the work done in the various departments of the business, and setting up standards of space cost per work unit in each department.

For a business providing a uniform product or service, the cost of space for the business as a whole can be related to the number of units produced, and controlled on that basis. Where, as is the situation over a wide field of industry, a large variety of dissimilar products and services are supplied, it may be expedient to relate the space costs to some broad factor of turnover, such as the man-hours in the factory, total output costs or, perhaps, income from sales.

Such overall statistics will, however, provide only a general guide to top management and the more searching figures will cover departmental activities and costs. In the works or operating departments, the usual costing factors of man-hours, machine-hours, process-hours, etc., as applicable to the different shops, will provide ready-made units for present purposes. In the administrative departments appropriate factors of activity may not be so readily obtainable, but the existing need for analysis of office methods and organization alone justifies the collation of statistics for control purposes.

So far as the administrative and sales departments are concerned, the problem is to determine the factor which accurately measures the activity and at the same time is not too difficult or costly to ascertain and record. Numerous figures will suggest themselves, such as the number of orders processed by a buying department, the postings made by a mechanized posting section, the requisitions handled by stock control, the job cards punched, the wage envelopes made up, and so on.

Final Considerations

If the technique is to be fully effective in measuring efficiency in the use of space, the influence on costs of changing monetary values cannot be ignored. The cost of space which includes a comparatively low rent fixed many years ago, or interest on the capital cost of the premises as paid, say, at the pre-war price level, would not be comparable with the cost of newly-acquired space.

In the case of leased premises the point will arise, under inflationary conditions, where the lease expires and a new lease is negotiated at a much higher rent, thus at a stroke making it impossible to compare current with past figures of space costs or those of related premises. Where the freehold or a long lease is owned, and a charge is made to departments for the areas they use, such notional rent needs adjusting from time to time to accord with current monetary values.

The measurement and budgeting of space costs in relation to the output of each department or operation will be of particular value when future activities are being considered. When, for example, a choice has to be made as to several alternative lines of development, due weight should be given to the question as to which line will make the most economic use of the space which it will utilize. It is at this stage that budgets of the cost per unit of output in each department should be assessed.

Information supplied by the accountant showing the comparative costs of space per unit of output in branches or divisions of an organization can pin-point inefficiencies and induce a more economic allocation of work between various factories. The efficiency of space utilization is demonstrated by showing that in relation to actual or proposed output of work the space costs per unit are above or below an assessed standard.

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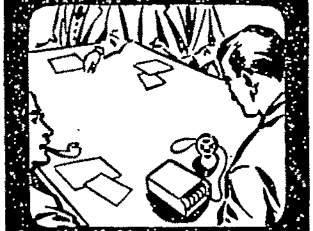

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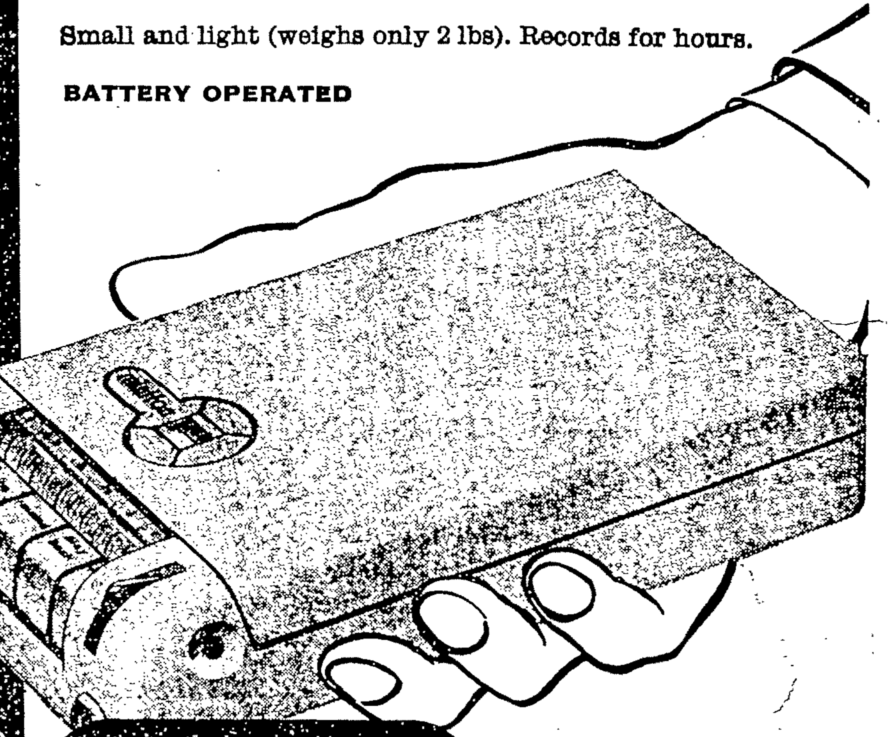

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On Accuracy in Accounts

by **KENNETH S. MOST, LL.B., A.C.A.**

DURING the course of a recent television programme, Dr J. Bronowski pointed a contrast between the old idea of a scientist and the new. In place of the brain bulging with facts, which was the characteristic of the Victorian scientist, we now think in terms of men grappling with fundamental principles. Something of the same process has thrown up two schools of thought on the question of accuracy in accounting work.

The first of these, which may be called the 'traditional' school, holds that the accountant's primary duty is to be exact. Among the ***memorabilia*** of accountancy lore there is to be found a caricature of the accountant receiving his client in his office, at the conclusion of the annual audit. 'Mr Smith,' says he, 'there was an error of one penny in your cash-book.'

The traditionalist who relates this story to a young junior, probably within the first few days of the latter's appearance at the office, does so with a purpose in mind. He seeks to impress the fact that there is to be no compromise in the arithmetical struggle in which the youngster has engaged himself, to make two sides agree, and by a logical extension, that accountancy is an exact science. Differences, or 'discrepancies' as he most likely calls them, will not be tolerated. Whatever values the accountant may be entrusted with, literally or figuratively, must be accounted for down to the last penny.

As initiation proceeds, the young auditor realizes that this is why an insurance premium of, say, £2 7*s* 4*d* is apportioned in days to the years which it affects; why the cash-book discount column casts are checked in full; and why half-pennies omitted from the extensions of stock prices are carefully restored.

He will find, however, that this obsession with accuracy is not always carried to unreasonable lengths. Sometimes the defection is arithmetical, and a harmless little suspense account appears in the trial balance. Sometimes it goes further, and challenges his notions of the meaning of accountancy figures. Debtors who will not pay up until thirty days after the balance sheet date are included at 100 per cent of their book value; the consolidated balance sheet balances, but only after insertion of a balancing figure for subsidiaries not consolidated; or there may even be a thirty-year-old loss among the fixed assets, which has been carried forward intact from one year to the next since it was incurred.

The 'Conventional' School

The other school of thought, which we may call the 'conventional', is to be perceived between the lines of the following quotation from an editorial in *The Journal of Accountancy* (New York) for January 1958,[1] dealing with the attitude of financial journalists and others to published accounts, particularly as regards the profit figure.

> '. . . Income calculated in accordance with generally accepted accounting principles is not an approximation of an exact figure which could be arrived at if the techniques were better. There is no such exact figure. Rather, accounting provides a method of measuring income in accordance with conventions whose validity depends upon their widespread acceptance and usefulness.
>
> 'It is perfectly permissible to argue that different conventions would produce more meaningful figures for the various purposes for which financial statements are used, and many eminent accountants do so argue. . . . But there is no such objective "reality" against which accounting figures can be measured as physical scientists test hypothesis by experiment. . . . So long as the public thinks that business income can be measured like a yard of cloth or a ton of coal, the accountant will be regarded as primarily skilled in arithmetic.'

It might be held in some quarters that accounting figures are constantly being tested by experiment, the physical evidence of which ranges from 'take-over bids' and liquidations to large cars and mink coats. The significant part of this passage is, however, the reference to measurement of physical substances, for it is precisely the type of standard measure which exists for them, and even for other things, such as children's intelligence, which financial journalists are seeking. They do not pay us the compliment of believing that we are skilled in arithmetic, they hold us to be engaged in a socially useless activity irrespective of the skills we claim to use.

Accurate Financial Statements

The two questions, then, whether accuracy is an essential attribute of accountancy work, and if it is, whether arithmetical accuracy is the extent of its requirements, are interrelated. It is now twenty-seven years since the *Royal Mail Steam Packet Co* case held that

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[1] See *The Accountant*, March 8th, 1958, page 278.

> 'The public now looks to the auditors for . . . an assurance that the results disclosed by the accounts of the year are not widely different from those accruing from the ordinary trading processes of the year.'

This helps us to formulate a further question, namely, Is accuracy in financial statements a reasonable standard to aim at, or one based on fallacious reasoning?

Even the problem of arithmetical accuracy is more complex than appears on the surface, as we can see if we consider whether any relaxation is permissible on economic grounds. Where accounts are being prepared for a sole trader, at a fixed fee of, say, twelve guineas, time may be found for a clerk to spend several days looking for a difference of a few shillings; but if the same practice were to be adopted on a large audit the consequences in terms of cost might be disastrous. Yet it is apparent that, whereas the difference of a few shillings on the books of the sole trader could hardly conceal other errors of more than a few pounds, a relatively small difference on the books of a large organization could easily be the resultant of quite considerable forces in opposite directions – sufficient, perhaps, to affect the meaning of the final accounts.

It is usually suggested that such differences can be allowed to stand if they are insignificant in amount in relation to the figures generally, and then only after the auditor has located them (e.g. in the sales ledger) and has satisfied himself as a result of his checking that more substantial figures are not involved. But these are mere generalizations, and a recent case of fraud was uncovered as a result of an auditor's inquiry arising out of a difference of a few pennies in a cash account. It would be a safer rule to adopt, that wherever the client's accounts department includes men who, by reason of their qualifications or experience, are theoretically capable of balancing the accounts and finding all differences the auditor should insist that the books be submitted to him free from arithmetical errors.

Canadian and English Stores' Accounts

Fresh in the minds of most readers is the situation which arose out of the accounts of Canadian and English Stores Ltd and its subsidiary, Pooles Central Warehouses Ltd, for the years 1953–57.[1] It will be recalled that the holding company published accounts for the years 1954, 1955, 1956 and 1957 which showed, successively, profits of £558,954, £885,189, and £543,120 and a loss of £952,208. As a result of the disappointment occasioned by the 1957 loss, a committee of inquiry was appointed to inquire into the circumstances, and its report showed that the subsidiary company's figures included in the published accounts of the holding company were susceptible to considerable revision. The extent of this revision can be seen from the following comparative statement:

			Net profit or loss	
Pooles Central Warehouses Ltd			*Published accounts*	*Revised accounts*
			£	£
Year ended January 31st,		1953	167,204	(44,902)
,,	,,	1954	318,115	263,251
,,	,,	1955	648,872	372,846
,,	,,	1956	269,719	131,298
,,	,,	1957	(1,252,474)	(977,725)
Net profit for five-year period			£151,436	
Net loss for five-year period ..				£255,232

Not only, then, did the individual years' profit and loss figures show differences, some of them substantial, but the overall profit for the period of £151,436 according to the published accounts was an overall loss of £255,232, according to the committee. The origin of this discrepancy of £406,668 was traced to the method of valuing accounts receivable, and apparently no part of it was attributable to stock adjustments. Had the question of stock valuation been suitable for retrospective examination, it might have been found necessary to revise the figures even further.

Of the questions which spring to an accountant's mind in reviewing these figures, we may confine ourselves to those affecting the subject of this article. Were the published accounts accurate? If not, was the inaccuracy merely arithmetical or did it invalidate the published accounts as accounts? If the latter, then were the published accounts simply the product of bad accounting, or is there something inherent in financial accounting which makes unavoidable discrepancies of this type?

The Example of Depreciation

The calculation of depreciation is a good examp of the conflict between accuracy in theory and in practice. Few venture to be dogmatic on this subject, and textbook writers conservatively enumerate a number of methods of calculating depreciation, without laying themselves open to charges of favouritism. These different methods lead to different results, of which it would appear that only one will be wholly accurate in the sense mentioned previously.

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[1] See *The Accountant*, March 29th, 1958, pages 377–8.

Supporters of the conventional school will reply that the inaccuracy of the method chosen is irrelevant, as long as it is applied on a consistent basis from year to year. Alternatively, they may argue that full disclosure of changes in the method of calculating depreciation absolves the accountant from the consequences of his inconsistency.

The first argument is a patent fallacy, since the acquisition and disposal of fixed assets does not usually follow a regular annual course. Further, where a section of the fixed assets reaches the last year of its estimated life, and is not withdrawn from service during that year, there cannot be said to be any sort of consistency between that year's accounts and those of the next.

The second argument is a dangerous sophism which should not require any discussion when considering accuracy in financial statements. To publish figures together with a verbal explanation of their inaccuracy is neither logical nor justifiable.

It is instructive to compare the treatment of depreciation in financial and cost accounts, for herein lies a pointer towards the solution of our problem. Financial accounting regards depreciation as a loss in value which is suffered by a business as a consequence of its investments in deteriorating fixed assets, and which must be provided for out of profits in order that capital shall be maintained intact.

> 'How companies will invest accumulated profits is an intricate problem. The first call on accumulation is provision for depreciation.'[1]

Legal decisions on the question indicate that there is no obligation for a company to make good such losses of capital out of profits, and that it is a matter of commercial policy.

> 'There is no law which prevents a company from sinking its capital in the purchase or production of a money-making property or undertaking, and in dividing the money annually yielded by it without preserving the capital sunk so as to be able to reproduce it intact.' (*Verner v. General and Commercial Investment Trust Ltd* (1894).)

Subsequent legislation has done nothing to change this.

Cost accounting, on the other hand, regards depreciation as an expense applicable to the operations of a number of accounting periods, and apportions that expense to a particular accounting period by relating it to performances of the fixed assets. This concept is gradually coming to be accepted by financial accountants, although it has not yet been understood by the general public, nor even by economists and financial journalists. The possibility of accurate ascertainment of depreciation by this means is apparent.

Exactness or Relative Accuracy?

In point of fact, we are back with Dr Bronowski's simplification, for there has been a change in the intellectual climate of the twentieth century which has had its effect upon accountancy. The idea of exactness as 100 per cent accuracy is no longer acceptable to us as something objective, but can only be understood in the form of *relative accuracy*. This does not mean approximation, but in order to measure profit by accounting methods we must have, not an absolute yardstick, but a relative one.

This we can obtain through budget and cost accounting, and not through financial accounting. Financial accounting is nothing more than cash accounting on the accrual basis, and the accrual basis merely accommodates the problems arising out of our habit of treating periods of time as self-contained units. Apart from the calendar, financial accounting has no more significance than pure cash accounting. This is true even where costs in suspense, such as fixed assets and stocks of materials, are taken into the accounts, for they are looked at from the standpoint of their cash values, or else the balance sheet becomes a costing balance sheet.

Cost accounting, by attaching equal importance to other economic values, such as materials, labour and machine performances, and relating them to the objects for which they are utilized, is something essentially different. Budgeting, too, is not only a means for measuring variations between plans and performances, but also provides a framework within which economic concepts such as profit and income can have precise meanings. It is a technique which offers the possibility to accountants, to free themselves from the calendar's dominion, and to regard economic growth as something organic.

If this is correct, then accountants may look forward to the gradual acceptance of costing ideas for the presentation of results in published accounts.

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[1] Martin Mitchell, A.C.A., in 'Income tax and the stock-market', *The Accountant*, April 19th, 1958, p. 452.

Easy Multiplication Through Comparisons

by FRED T. NEELY, C.P.A.

THE behaviour of Arabic numerals falls into many rhythmic patterns. For the keen accountant, the delightful qualities of numbers bring to each day a new adventure. Among the pleasant skills in the artistry of rapid calculation, one of the easiest to transmit to a beginner is the instant multiplication of many numbers that can be made through comparisons.

Substituted calculations through comparisons with easily-found squares bring to lovers of Arabic magic a very particular pleasure. A comparison of some familiar squares with the product of a multiplicand one unit larger and a multiplier one unit smaller than the number squared illustrates a very simple rule:

Contrast	*With*	*Amount smaller*
2 × 2 = 4	3 × 1 = 3	1
3 × 3 = 9	4 × 2 = 8	1
4 × 4 = 16	5 × 3 = 15	1
5 × 5 = 25	6 × 4 = 24	1
6 × 6 = 36	7 × 5 = 35	1
7 × 7 = 49	8 × 6 = 48	1
8 × 8 = 64	9 × 7 = 63	1
9 × 9 = 81	10 × 8 = 80	1
10 × 10 = 100	11 × 9 = 99	1

The product of any two factors with a common difference of two is always one less than the square of the median number. The reason for this can be illustrated with a child's alphabet blocks. In five rows five blocks in length, there are 25 blocks. To rearrange the blocks in four rows, five blocks are picked up – all in one row. It takes only four blocks to extend the four rows left to six in length. This process of eliminating one row and extending the length of the others by one makes a figure with a number of blocks that always contains one less than the square. The value of this can be seen through the following comparisons:

Substituted squares	*Calculations desired*	*Amount smaller*
20 × 20 = 400	21 × 19 = 399	1
30 × 30 = 900	31 × 29 = 899	1
40 × 40 = 1,600	41 × 39 = 1,599	1
50 × 50 = 2,500	51 × 49 = 2,499	1
60 × 60 = 3,600	61 × 59 = 3,599	1
		etc.

A multiplicand and multiplier with a difference of two each have a variance of one from the number squared. The square of the difference between the square and one of the varying factors is one.

The squares of numbers ending in zero are formed by the multiplication of the positive digits to which products the zeros of the multiplicand and multiplier are added. The application of the rule can thus be easily extended to larger numbers like the ones in the following interesting comparisons:

Substituted squares	*Calculations desired*	*Amount smaller*
200 × 200 = 40,000	201 × 199 = 39,999	1
300 × 300 = 90,000	301 × 299 = 89,999	1
400 × 400 = 160,000	401 × 399 = 159,999	1
500 × 500 = 250,000	501 × 499 = 249,999	1
600 × 600 = 360,000	601 × 599 = 359,999	1
		etc.

The easy multiplication of numbers which have the same value in the tens column (explained in the December 28th, 1957, issue of *The Accountant*) through giving the units of the multiplier to the multiplicand offers an interesting extension of the application of this rule in the following examples:

Substituted squares	*Calculations desired*	*Amount smaller*
15 × 15 = 225	16 × 14 = 224	1
25 × 25 = 625	26 × 24 = 624	1
35 × 35 = 1,225	36 × 34 = 1,224	1
45 × 45 = 2,025	46 × 44 = 2,024	1
55 × 55 = 3,025	56 × 54 = 3,024	1
65 × 65 = 4,225	66 × 64 = 4,224	1
		etc.

In the illustrations following, the squares of numbers are contrasted with the products of factors, one of which is larger by two and the other smaller by the same amount than the number squared:

Substituted squares	*Calculations desired*	*Amount smaller*
4 × 4 = 16	6 × 2 = 12	4
8 × 8 = 64	10 × 6 = 60	4
10 × 10 = 100	12 × 8 = 96	4
15 × 15 = 225	17 × 13 = 221	4
20 × 20 = 400	22 × 18 = 396	4
30 × 30 = 900	32 × 28 = 896	4
		etc.

The product of two numbers with a common difference of four will be four less than the square of the median number. This difference is the square of the variation of the factors from the number squared.

Arabic symmetry can be followed further in contrasts where one factor is three units larger and the other three units smaller than the number squared as shown in the following charts:

Substituted squares	*Calculations desired*	*Amount smaller*
5× 5= 25	8× 2= 16	9
6× 6= 36	9× 3= 27	9
7× 7= 49	10× 4= 40	9
8× 8= 64	11× 5= 55	9
20×20=400	23×17=391	9
30×30=900	33×27=891	9
		etc.

Where one factor is four units larger and the other four units smaller than the number squared we have:

Substituted squares	*Factors with 4-unit variation*	*Reduction in product*
5× 5= 25	9× 1= 9	16
6× 6= 36	10× 2= 20	16
7× 7= 49	11× 3= 33	16
8× 8= 64	12× 4= 48	16
20×20=400	24×16=384	16
30×30=900	34×26=884	16
		etc.

With a five, six, seven and eight unit variation from the square, the difference will be twenty-five, thirty-six, forty-nine and sixty-four. The examples showing these variations are precisely similar to the examples given above.

The greatest one-digit variation is, of course, nine. When the two factors of a product have an equal variance from a median number of this amount, the square of that number will exceed the product of the varying factors by the square of nine (eighty-one). The following illustrations should enable the reader to compute the products of the varying factors very easily without looking at the products as listed here:

Substituted squares	*Factors with 9-unit variations*	*Difference*
10×10= 100	19× 1= 19	81
20×20= 400	29×11= 319	81
30×30= 900	39×21= 819	81
40×40= 1,600	49×31= 1,519	81
50×50= 2,500	59×41= 2,419	81
60×60= 3,600	69×51= 3,519	81
		etc.

The multiplication of two factors with a difference of twenty is particularly interesting. Each of the factors has a variance of ten from a median number and the product is 100 less than the square of this median number. The rule of multiplication explained in a previous article (see *The Accountant* of December 28th, 1957) outlined the method under which the squares in the following illustration can be instantly computed in a mental calculation:

Substituted squares	*Factors with variation of 10*	*Difference*
95×95= 9,025	105×85= 8,925	100
85×85= 7,225	95×75= 7,125	100
75×75= 5,625	85×65= 5,525	100
65×65= 4,225	75×55= 4,125	100
55×55= 3,025	65×45= 2,925	100
45×45= 2,025	55×35= 1,925	100
		etc.

A look at these portraits of numbers in movement should stir eager students toward their own experiments into the striking motif of the progressions that become obvious in these comparisons. The list of squares that are helpful in quick mental calculations can be easily expanded through an understanding of the squares and the natural method through which they are built.

A student who has memorized the multiplication table through nine knows the squares of all the one-digit numbers. Obviously, he knows the squares of ten and all two-digit multiples of ten. The process of moving from the known product of a number multiplied by itself to the square of the next larger or next smaller number can be shown in an unforgettable way with a child's alphabet blocks. Put a block on a table. This is one times one. To find the square of two, add one block to make a row of two; and place two blocks on the side. The four blocks on the table form the square of two. The rhythm of the growth of the squares is illustrated below:

The square of	*Amounting to*	*With addition of*	*Equals*	*The square of*
1	1	1 plus 2 (3)	4	2
2	4	2 plus 3 (5)	9	3
3	9	3 plus 4 (7)	16	4
4	16	4 plus 5 (9)	25	5
5	25	5 plus 6 (11)	36	6
6	36	6 plus 7 (13)	49	7
7	49	7 plus 8 (15)	64	8
8	64	8 plus 9 (17)	81	9
9	81	9 plus 10 (19)	100	10

The rule does not vary and the student who knows that 10×10 equals 100 can, in his mental picture, add to this product 10 and 11 and see 121 as the square of 11. The number added to the square is twice the number squared plus one.

A very slight drill should enable anyone who has a speaking acquaintance with figures to make the following mental calculations:

The square of	*Amounting to*	*Plus*	*Equals*	*The square of*
10	100	21	121	11
20	400	41	441	21
30	900	61	961	31
40	1,600	81	1,681	41
50	2,500	101	2,601	51
60	3,600	121	3,721	61
70	4,900	141	5,041	71
80	6,400	161	6,561	81
90	8,100	181	8,281	91

The computations of the squares of the next smaller numbers are shown in the following illustration.

The square of	*Amounting to*	*Minus*	*Equals*	*The square of*
10	100	19	81	9
20	400	39	361	19
30	900	59	841	29
40	1,600	79	1,521	39
50	2,500	99	2,401	49
60	3,600	119	3,481	59
70	4,900	139	4,761	69
80	6,400	159	6,241	79
90	8,100	179	7,921	89

Today, few workers with numbers are aware of simple and useful numerical techniques. An improved acquaintance with these quickly acquired techniques gives added utility to the working day as well as the happy satisfaction that comes as a reward of a newly-acquired artistic appreciation.

Weekly Notes

Effect of Tax Liability on Damages

THE Law Reform Committee, which was invited by the Lord Chancellor to consider the law whereby the liability to tax of a person entitled to damages is required to be taken into account in assessing the sum payable as damages, is unable to make any recommendations on the subject because of the varying opinions among members of the committee. This is revealed in the report[1] of the committee published last Tuesday.

Until the House of Lords decision (by a majority) in the case of *British Transport Commission v. Gourley* (34 A.T.C. 305), it was well settled that in assessing compensation for loss of earnings, the Court was not concerned with the plaintiff's liability to tax. In that case, which was concerned with damages for personal injury, the earlier decision of the Court of Appeal when damages of £37,720 were awarded was reversed, the award being reduced to £6,695 to take account of the income tax and surtax the plaintiff would have had to pay on his earnings if he had not been injured. Lord Goddard then expressed the view that the same rule should apply in the case of a claim for wrongful dismissal, and the same principle has in fact since been applied by the House of Lords to the assessment of compensation for loss of profits resulting from interference with a business in the exercise of statutory powers. (*West Suffolk County Council v. Rought* [1957]).

The committee's report states: 'Whether the law as it now stands is satisfactory is a matter on which we have unfortunately been unable to reach agreement. As we find ourselves almost evenly divided, we are not in a position to make any recommendations'; and the report concludes '. . . it may turn out that the difficulties to which the law gives rise in practice are greater than some of us are at present disposed to believe, and we are therefore agreed in thinking that it may well become desirable to review the practical implications of the decision in *Gourley's* case after a further lapse of time'.

National Insurance in 1957

LAST year probably the largest unexpected development in the National Insurance Scheme was the record number of sickness benefit applications at 9½ million. Of this, 5 million or twice the seasonal average were received between the later weeks of August and the end of the year and are accounted for to a significant extent by the influenza epidemic of last autumn. This epidemic is estimated to have cost the National Insurance Fund £10 million.

By the end of 1957 the overall cost of social service benefits paid by the Ministry of Pensions and National Insurance was at the rate of £900 million a year, a rate which went to £1,080 million a year by February of this year owing to the increase in war pensions, family allowances and other insurance benefits. The unemployment benefit paid out in December 1957 was substantially higher than a year earlier. Last December there were 201,000 persons receiving unemployment benefit compared with under 168,000 a year before. During last year some 424,000 new retirement pensions came into payment, about 112,000 of them being to wives of pensioners in right of their husbands insurance. By the end of the year about 4¾ million people were receiving retirement pensions. Of the total expenditure of £622 million on national insurance benefits in the year ended March 31st, 1957, nearly £448 million was on retirement pensions, an increase of over £15 million on the year and the indication of a trend which will continue for many years as the average age of the population increases.

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[1] *Law Reform Committee. Seventh Report: Effect of tax liability on damages.* Cmnd. 501. H.M.S.O. 6*d.*

In the year up to March 31st, 1957, the income of the National Insurance Fund was £733·5 million of which nearly £588 million was from employers and insured persons while over £96 million came from the Exchequer. £49 million was income from investments of this Fund and the National Insurance (Reserve) Fund. Payments of nearly £700 million included over £622 million for benefits, over £40 million to the National Health Service and £31 million for administration. Over the year staff was reduced by 119 to 36,309.

Cut-price Sales

MORE new law was made at the end of the legal term about the meaning of the controversial Section 25 (1) of the Restrictive Trade Practices Act, 1956. This enables a supplier of goods to enforce price-maintenance conditions against third parties, and it came into force on November 2nd, 1956. In *Dunlop Rubber Co Ltd v. Longlife Battery Depôt* (*The Times*, August 1st, 1958) the plaintiff brought proceedings under the section in respect of a sale by the defendant on December 5th, 1956, of a rubber tyre for £5 10*s* 0*d*, the current list-price being £6 6*s* 0*d*. Plaintiff was, however, unable to establish that the defendant bought the tyre after the section came into force, and this was held to be fatal to their claim under the section.

On the other hand, judgment was given for the plaintiff on the ground that the sale at £5 10*s* 0*d* was an infringement of the limited licence of the plaintiff's letters patent under which the tyre had been manufactured, and therefore a patent infringement. Mr Justice Lloyd-Jacob granted an injunction and an inquiry as to damages.

Report of the Public Trustee

IN the fiftieth general report of the Office of the Public Trustee for the twelve months ended March 31st, 1958, a surplus is disclosed of £8,655 compared with an adjusted surplus of £19,201 in the year before. During the year 376 new cases were accepted with a total value of £5·4 million which were 17 fewer and £1·3 million less in value than those accepted during 1956–57. To some extent this decline is accounted for by the fall in the value of investments during 1957.

It is of interest that the recent publicity campaign brought a big increase in the number of new wills deposited with the Public Trustee and as might be expected the percentage of new cases under £5,000 in value rose from 53·4 to 58·8 per cent. There was an accompanying decline in the average acceptance fee from £118 to £90. Acceptances during the year at £549,341 were almost identical with those in the year before, but receipts at £557,996 were down by £10,544. The total value of trusts under administration at March 31st, net of distributions over acceptances, was £241·3 million.

New French Taxes

THE French Government has decided to impose a 'once-for-all' tax on company profits earned last year, in addition to a tax on business turnover and various taxes on luxuries or 'outward signs of wealth' such as yachts, multiple residences, luxury flats, race-horses, and the like. Purchase tax on certain other luxuries like spirits and gramophone records are increased. Petrol duty goes up to the equivalent of 7*s* 3*d* a gallon. The new taxes are expected to bring in 50,000 million francs (£42 million) and thus prevent an increase in the Budget deficit.

Facts on Trading Areas

THE Federation of British Industries has published a booklet called *The British Commonwealth, Commonwealth Preference and the Sterling Area*. It is entirely factual and does not deal with policy matters. At a time when international economic affairs are much concerned with the creation of new types of trading zones, this booklet is a useful compendium of information on one of the oldest, most successful and most flexible trading associations in the world.

Figures are given of population and areas of member countries of the Commonwealth, their output, exports and trade. There is also a useful description with tables of the Commonwealth preferential system of tariffs. It gives, overall, a picture of a group of institutions and arrangements which have been moulded by circumstances and which owe almost nothing to formal, fundamental thinking on the Commonwealth and its institutions.

The idea of a gradual process of evolution in the light of circumstances is one that appeals to the Anglo-Saxon mentality rather than to the Continental one. It lies at the root of much of the difference of opinion at present between this country and, notably France, on the idea of a Free Trade Area as opposed to a European Common Market. The latter is frankly a political concept aiming at the unification of western Europe; the former is a form of loose economic association. Its conception on the British side owes much to the ideas written into Commonwealth agreements and which will themselves have to be adjusted once again if a Free Trade Area comes into existence.

Reviews

Staples on Back Duty

Seventh (revised and enlarged) Edition by Percy F. Hughes. (Gee & Company (Publishers) Ltd, London. 27*s* 6*d* net; by post 28*s* 6*d*.)

Staples is the oldest work on back duty and has become a classic in this highly specialized and difficult field. The new edition is twelve pages longer, much of the additional matter being devoted to the question of a practitioner's duty when he discovers that his client is guilty of evasion. A résumé is given of the Royal Commission's recommendations about penalties and there are references to a statement issued by The Institute of Chartered Accountants in England and Wales in 1953 about the ownership of working papers. Three new decided cases are reported, in particular *R. v. Hudson*. The publishers have begun the commendable practice of giving the appropriate references in their own series of *Annotated Tax Cases* for cases cited in the book.

This is the first edition with which the original author, the late Mr Ronald Staples, has not been actively associated. The book has by no means suffered for Mr Hughes, the present editor, was closely associated with the author for many years.

The Law and Practice of Meetings

Fourth Edition by Frank Shackleton, F.C.I.S. (Sweet & Maxwell Ltd, London. 30*s* net.)

The seven years which have followed the previous edition of this well-known work have been fairly rich in case law on meetings, and these, together with the important provisions of the Defamation Act, 1952, are duly dealt with. The layout of the book is unchanged. The first 100 pages deal with the law in general; then there are 150 pages on the highly important topic of company meetings; and a further thirty pages on meetings of local authorities. The author has been able to draw on the resources of the library of the Chartered Institute of Secretaries and to base his text on many points of practice which are not the subject of judicial consideration. In general, the style is lucid but there is an occasional lapse. The specimen forms of notice of company general meetings do not include the statutory reminders about proxies.

The European Common Market and Free Trade Area

The Institute of Bankers, London. 5*s* net.)

Several lengthy studies have already appeared and many more can confidently be expected on this important subject. It is highly unlikely that any will surpass in authority, usefulness and readability this small pamphlet comprising five lectures delivered at the end of 1957 on various aspects of the Common Market and Free Trade Area under the joint auspices of the Institute of Bankers and the Extra-Mural Department of London University.

M Spaak sets the background to the present debate and emphasizes the fundamental principles underlying the scheme, while Mr Ezra, a past member of the British delegation to Luxembourg, contributes a clear summary of the problems posed by economic integration. Mr Paul Bareau's capacity for clear exposition makes his discussion of some of the more ticklish issues as readable as it is interesting and an Australian economist, Mr Holmes, explains the Commonwealth viewpoint. Mr Brech reflects on some of the practical problems arising when the Common Market and Free Trade Area are established.

There can be no excuse now for any citizen confessing ignorance of these matters; it is to be hoped that this publication will enjoy as wide a circulation as it deserves.

The Ministry of Pensions and National Insurance

by Sir Geoffrey S. King, K.C.B., K.B.E., M.C. (George Allen & Unwin Ltd, London. 18*s* net.)

The chief functions of the Ministry of Pensions and National Insurance are to administer four schemes under which cash allowances are provided. These are war pensions, national insurance pensions and benefits, industrial injury benefits and family allowances. Each year the Ministry collects about £630 million in contributions and pays out over £850 million. The annual administrative cost of running the department is £45 million. The transactions, debit and credit, represented in these figures amount to many millions and the system, to ensure prompt and accurate payment week by week to beneficiaries, has to be impeccably organized and controlled.

Exactly how this is done is described by Sir Geoffrey King, a former Permanent Secretary to the Ministry, in the latest addition to Messrs Allen & Unwin's admirable Whitehall Series. Although he outlines the historical background of his old department, which came into being in 1953 when the Ministry of Pensions (established in 1916) and the Ministry of National Insurance (started in 1944) were amalgamated, his chief concern is to explain how such a mammoth organization works in practice. He devotes a chapter to each of its separate functions and then describes the administrative system with its central office in Newcastle, the largest clerical establishment in Europe, and its 900 local offices. He also explains, among other things, how the various schemes are financed and the machinery which exists for adjudicating on claims.

Sir Geoffrey's understanding account of the practical workings of a scheme in which practically every man, woman and child have a vested or contingent interest deserves to be widely read.

Finance and Commerce

Ratio of Taxation

WE reprint this week the accounts of Initial Services Ltd, whose business of providing a regular service of clean towels, shop and factory overalls, etc., must be known at first hand by a large number of readers. How the company has fared over the last ten years is shown in a table (reproduced below) summarizing group results which is included in the statement by the chairman, Mr A. A. Ireland.

The scope of the table can be seen from a recital of the figures for the year ended March 31st, 1958: Trading profits – £1,375,145; Depreciation and other charges – £224,623; Net profit before taxation – £1,150,522; Taxation – £659,237; Ratio of taxation to net profit – 57 per cent; Net available for dividends and reserves – £491,285.

Do we discern in this table and its relationship of taxation to net profit, a protest against high taxation? One can well understand the feeling if that is so, and in these days when the burden of taxation is so much concealed by indirect taxes and P.A.Y.E., the more publicity the tax gatherer receives, the better. Smoking might be easier to give up if one paid for the tobacco at one counter and the tax separately at another.

(We would add that there could well be two more columns in the table: Turnover and Ratio of profit to sales.)

Depreciation Inquiry

AN inquiry into the company's depreciation policy has been set in motion by the directors of Renold Chains Ltd. For many years, says Sir Charles G. Renold, the chairman, a transfer has been made to the re-equipment reserve of the amount calculated to be necessary to bring the sum of cumulative depreciation and the re-equipment reserve up to what the cumulative depreciation would have been if all equipment had been acquired at prices ruling during the year.

The directors have now decided to make a new and fundamental study of the suitability, in today's conditions, of the formula employed, and perhaps even the principle involved, in the policy hitherto observed in respect of the re-equipment reserve.

Sir Charles emphasizes that the board have not changed their viewpoint that provision needs to be made over and above the ordinary depreciation for the enhanced cost of depreciation due to rising prices over the life of the plant. What they have done is to call for a re-examination and reassessment of all the factors that enter into the problem.

It cannot be assumed, he says, that this task is capable of an easy or speedy solution. Pending decision arising out of this new study, no further transfers will be made to the re-equipment reserve. Had the transfer been made this year on the calculated basis hitherto used, it would have amounted to £263,000 and this amount is instead transferred to general reserves.

Last year's transfer to re-equipment reserve was £275,000 debited after striking the net profit attributable to the parent company.

The subject of the inquiry has such a wide interest and application from the accountancy angle that we hope the board will see fit to publish a report when the findings become available.

Assets Valued

THE accounts of House of Fraser Ltd for the year to January 31st, 1958, include the figures for John Barker & Co Ltd, the Kensington store, whose ordinary shares were acquired during the year. Two Glasgow businesses have also been acquired: Wylie & Lochhead Ltd and Carswell (The Modern Man's Shop) Ltd. The consideration for the new interest was £1,872,658 in 5*s* 'A' ordinary shares of House of Fraser and £1,086,328 in cash. The reflection of these operations is seen in an increase in the total of the consolidated balance sheet from £11,351,989 to £27,967,974 and in particular in the increase in consolidated fixed assets from £4,161,833 to £17,764,611.

INITIAL SERVICES LIMITED

The following table summarises the results of the Group for the past ten years:—

Year ended 31st March	*Trading Profits, etc.*	*Depreciation and other Charges*	*Net Profit before Taxation*	*Taxation*	*Ratio of Taxation to Net Profit*	*Net available for Dividends and Reserves*
1949	£452,049	£96,226	£355,823	£202,597	57%	£153,226
1950	£470,277	£126,724	£343,553	£212,715	62%	£130,838
1951	£567,735	£114,607	£453,128	£286,152	63%	£166,976
1952	£664,630	£137,455	£527,175	£342,124	65%	£185,051
1953	£749,973	£120,966	£629,007	£429,014	68%	£199,993
1954	£836,695	£109,493	£727,202	£486,556	66%	£240,646
1955	£972,461	£132,367	£840,094	£463,293	55%	£376,801
1956	£1,035,390	£168,199	£867,191	£492,395	57%	£374,796
1957	£1,302,456	£225,208	£1,077,248	£659,885	61%	£417,363
1958	£1,375,145	£224,623	£1,150,522	£659,237	57%	£491,285

INITIAL SERVICES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET at 31st MARCH, 1958.

31st March, 1957	CAPITAL AND SURPLUS		Authorised	Issued and fully paid
£	CAPITAL	£	£	£
400,000	8 per cent. Cumulative Preference Shares of £1 each		400,000	400,000
1,498,755	Ordinary Shares of 5s. each		2,000,000	1,498,755
44,542	"A" Non-Voting Shares of 1s. each		50,000	44,542
1,943,297			2,450,000	1,943,297
123,847	SHARE PREMIUM ACCOUNT			123,847
	REVENUE RESERVES			
	GENERAL			
400,000	Initial Services Ltd...	570,000		
281,446	Subsidiaries	315,883		
			885,883	
	PROFIT AND LOSS ACCOUNTS			
46,189	Initial Services Ltd...	48,670		
66,291	Subsidiaries	76,528		
			125,198	
793,926				1,011,081
11,519	"A" SHARE DIVIDEND ACCOUNT			23,082
2,872,589				3,101,307
2,250	INTERESTS OF OUTSIDE SHAREHOLDERS			2,233
503,971	AMOUNT SET ASIDE FOR FUTURE TAXATION ..			518,239
	SECURED LIABILITIES			
183,700	Debentures			183,700
	CURRENT LIABILITIES			
—	Bank Overdrafts		23,125	
270,942	Creditors and Accrued Charges		315,279	
223,787	Taxation		242,511	
9,200	Preference Dividend declared payable 1st April, 1958		9,200	
150,812	Proposed Final Ordinary Dividend (Net) ..		150,812	
25,611	Proposed Dividend on "A" Non-Voting Shares (Net)		25,611	
680,352				766,538
£4,242,862				£4,572,017

NOTES:
1. No adjustment of the Book Value of certain fixed assets has been made for damage by enemy action, the amount of which is covered by claims submitted.
2. The balance of contracts for Capital Expenditure not provided for is estimated at £46,535.
3. The Assets and Liabilities of the Overseas Subsidiaries have been converted at the current rate of exchange.
4. The Accounts of a non-trading Subsidiary have not been consolidated because the Directors are of the opinion that it would be of no real value to the members of the Company.

31st March 1957	FIXED ASSETS	Cost or Valuation	Depreciation	Net Book Value
£		£	£	£
	Freehold Property			
	At Cost	535,221	108,962	
	At Valuation	393,255	21,908	
785,318		928,476	130,870	797,606
	Leasehold Property			
	At Cost	176,967	39,428	
	At Valuation	13,841	1,144	
129,593		190,808	40,572	150,236
	Plant and Machinery			
	At Cost	985,433	502,006	
	At Valuation	186,995	59,230	
527,672		1,172,428	561,236	611,192
	Furniture, Fixtures and Fittings			
	At Cost	74,188	44,116	
	At Valuation	3,979	1,389	
30,070		78,167	45,505	32,662
	Vehicles			
	At Cost	391,143	330,455	
	At Valuation	3,791	1,310	
69,463		394,934	331,765	63,169
1,542,116		2,764,813	1,109,948	1,654,865
	INVESTMENT IN SUBSIDIARY NOT CONSOLIDATED			
	Shares at Cost		100	
	Amount due		651	
583				751
	CURRENT ASSETS			
856,811	Stock and Equipment, including Stock in Circulation, as valued by the Companies' Officials..		931,832	
362,852	Debtors and Prepayments, *less* Provision ..		447,077	
4,526	Loans to Employees of the Group for the purchase of Shares in the Company		392	
1,546	British Government and other Quoted Securities at Cost *less* Provision (Market Value £1,462)		1,445	
436,025	Tax Reserve Certificates		502,750	
385,817	Cash at Bank and in Hand		388,321	
2,047,577				2,271,817
	GOODWILL			
160,000	Initial Services Ltd.—at Cost *less* amounts written off		160,000	
492,586	Excess of the Cost of Investments in Subsidiaries over Net Tangible Assets at dates of acquisition *less* amounts written off ..		484,584	
652,586				644,584
£4,242,862				£4,572,017

A. A. IRELAND }
E. J. HOPKINS } *Directors.*

INITIAL SERVICES LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS AND APPROPRIATION ACCOUNT for the YEAR ENDED 31st MARCH, 1958

31st March, 1957 £		£	£
	Remuneration of Directors of Initial Services Ltd.		
2,575	Fees	2,575	
33,040	Other Emoluments	35,707	
1,500	Pension	1,500	
37,115			39,782
	Audit Fees		
2,079	Initial Services Ltd.	2,079	
3,471	Subsidiaries	3,440	
5,550			5,519
11,501	Debenture Interest		11,022
9,817	Legal and Professional Charges		8,632
160,626	Depreciation		159,181
	Provision for Taxation based on the profits of the year		
162,747	Profits Tax	164,543	
492,280	Income Tax	486,533	
4,858	Dominion and Foreign Taxation	8,161	
659,885			659,237
599	Proportion of profits attributable to outside Shareholders ..		487
	Net Profits carried down		
402,534	Initial Services Ltd.	464,285	
14,829	Retained by Subsidiaries	27,000	
417,363			491,285
£1,302,456			£1,375,145
2,245	*Expenses of Share Issue and Increase in Share Capital*		—
	Transfers to General Reserves		
125,000	Initial Services Ltd.	170,000	
29,418	Subsidiaries	34,437	
154,418			204,437
	Dividends for the year ended 31st March, 1958		
18,400	Preference Dividend of 8% (Net)	18,400	
86,179	Interim Ordinary Dividend of 10% (Net)	86,179	
150,812	Proposed Final Ordinary Dividend of 17½% (Net) ..	150,812	
25,611	Proposed Dividend on "A" Non-Voting Shares of 100% (Net)	25,611	
281,002			281,002
11,519	Balance of "A" Share Dividend Account carried forward (see Note)		23,082
	Unappropriated Profit at 31st March, 1958		
46,189	Initial Services Ltd.	48,670	
66,291	Subsidiaries (Initial Services Ltd. proportion) including £12,495 retained by the Overseas Subsidiaries	76,528	
112,480			125,198
£561,664			£633,719

31st March, 1957 £		£	£
1,293,693	Trading Profits *less* Loss, including £30,154 surplus on Insurance Claim		1,343,499
8,571	Interest received		31,349
192	Transfer Fees		297
£1,302,456			£1,375,145
	Unappropriated Profit at 31st March, 1957		
57,539	Initial Services Ltd.	46,189	
67,082	Subsidiaries	66,291	
124,621			112,480
—	Balance of "A" Share Dividend Account at 31st March, 1957 ..		11,519
19,680	Provision for Taxation for Previous Years no longer required ..		18,435
417,363	Combined Net Profits, brought down		491,285
£561,664			£633,719

NOTE:

31st March, 1957 £		£	£
90,194	The amount credited to the "A" Share Dividend Account was, gross		90,277
	from which has been deducted:		
38,332	Income Tax	38,368	
14,732	Profits Tax, including Distribution Charge on Proposed Dividend	14,735	
25,611	Proposed Dividend (Net) ..	25,611	
78,675			78,714
11,519			11,563
—	*Add:* Balance brought forward at 31st March, 1957 ..		11,519
£11,519	Leaving to be carried forward		£23,082

An important point is that the John Barker properties have been brought in at a valuation by Messrs Healey & Baker made in December 1957. The increased value of leasehold properties (from £234,356 to £4,302,442) arises entirely from this source.

In this connection, a statement by Mr Hugh Fraser, the chairman, is important. He says: 'In considering the values of assets employed throughout the group, the board is conscious of the desirability of maintaining a due relationship between earnings and the valuations disclosed.'

In these words, Mr Fraser highlights an important point in the matter of revaluing assets on an up-to-date basis: Is the business earning profits commensurate with the value of the assets employed?

Earnings and Assets

If current profits are stated in terms of current £s (as they must be), a relation of profits to assets employed cannot be valid unless the assets figure at least is somewhere near a current basis.

Not all company boards, however, see this point from the shareholders' angle. At the annual meeting of J. Lyons & Co Ltd, for instance, a shareholder asked whether the board, having put through a scrip bonus issue and raised the dividend distribution, would now consider a property revaluation.

Mr I. M. Gluckstein, the chairman, replied that a revaluation would entail a 'pretty large expense' and would not make the shareholders any better off.

We should be surprised if the directors of such a well-organized company as Lyons were without a fairly close view of the present-day value of the properties, the management of which must, in itself, be a major undertaking. Shareholders admittedly would be no better off in terms of immediate *£ s d* if they shared this close view. Their appreciation of the financial position of their company, however, would be so much sharper.

Next Week's Reprint

The accounts of The Educational Supply Association Ltd will provide the reprint in next week's issue.

CITY NOTES

Under existing conditions it is hardly surprising that the stock-markets continue to be in an uncertain mood. The satisfactory July gold and dollar reserve position and the fall in the Treasury bill rate to 4 per cent have combined to stiffen a gilt-edged market that had been looking a little uneasy.

Elsewhere in the markets, business has been decidedly thin, with the usual holiday influences affecting the volume of turnover, which would inevitably have been small in any case.

Some apparently contradictory statements on the question of re-expansion in the economy have not helped matters. Sir David Eccles has impressed upon the O.E.E.C. countries the need for redevelopment because of the delayed consequences of the North American recession. Lord Hailsham has hinted of 'fresh measures', but the Chancellor has told the T.U.C. that the time is not yet ripe for any major economic boost.

There have been some suggestions that the Government, having already eased credit to a major degree, may now move in the hire-purchase field – in which the big banks are becoming increasingly interested. The near record-level of car hire-purchase contracts, however, hardly suggests that present H.P. restrictions are being found particularly onerous.

The Chancellor apparently has no intention of introducing an autumn Budget and tax relief is, therefore, unlikely to form any major part of a re-expansion programme. The authorities may well prefer, the City considers, to wait and see just how the freer credit measures work out before making any further moves. It many prove difficult, however, to create an economic atmosphere in which freer credit can be confidently used.

RATES AND PRICES

Closing prices, Wednesday, August 6th, 1958

Bank Rate

Jan. 27, 1955	3½%	Sept. 19, 1957	7%
Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19th, 1958	5%

Treasury Bills

May 30	£4 16*s* 3·84*d*%	July 4	£4 3*s* 5·23*d*%
June 6	£4 14*s* 5·72*d*%	July 11	£4 0*s* 3·79*d*%
June 13	£4 10*s* 1·77*d*%	July 18	£4 4*s* 11·39*d*%
June 20	£4 5*s* 9·63*d*%	July 25	£4 3*s* 2·26*d*%
June 27	£4 5*s* 10·67*d*%	Aug. 1	£4 0*s* 2·49*d*%

Money Rates

Day to day	3½–4%	*Bank Bills*	
7 days	3½–4%	2 months	4⅛–4 3/16%
Fine Trade Bills		3 months	4⅛–4 3/16%
3 months	5–5¾%	4 months	4⅛–4 3/16%
4 months	5–5¾%	6 months	4⅛–4¼%
6 months	5½–6%		

Foreign Exchanges

New York	2·80 11/16–¾	Frankfurt	11·67¾–68
Montreal	2·69 15/16–·70 1/16	Milan	1737¼–¾
Amsterdam	10·56⅛–¼	Oslo	19·99 –¼
Brussels	138·99–139·01	Paris	1174¼–⅜
Copenhagen	19·33¼–¾	Zurich	12·20 –¼

Gilt-edged

Consols 2½%	51⅛	Funding 4% 60–90	87⅛
Consols 4%	74 11/16	Savings 2½% 64–67	81 7/16
War Loan 3½%	68	Savings 3% 55–65	89x.d.
Conversion 3½%	68	Savings 3% 60–70	77 11/16x.d.
Conv'sion 3½% 1969	85 3/16xd	Savings 3% 65–75	72¾x.d.
Exchequer 5½% 1966	103 7/16	Treasury 2½%	50⅛
Funding 3% 66–68	82 3/16	Treasury 3½% 77–80	76¼
Funding 3% 59–69	81 7/16	Treas'ry 3½% 79–81	75¼x.d.
Funding 3½% 99–04	72⅞	Victory 4%	92½x.d.

Current Law

Trust for new Alphabet

APPEALS by the Attorney-General and the Public Trustee from the order of Harman, J., in *Re Shaw, Public Trustee v. Day and Others* ([1957], 1 All E.R. 745) were dismissed by consent on terms agreed by the parties, other than the Attorney-General, but with the concurrence of the Attorney-General ([1958], 1 All E.R. 245, note). Under the agreed terms of compromise a sum of money is to be devoted to the purposes which the testator, the late George Bernard Shaw, had expressed in his will in regard to a new alphabet. An undertaking was given as to the carrying out of the trusts within twenty-one years from the testator's death and as to the destination of any sum left over. The Court was told that the Public Trustee, having taken advice, was satisfied, so far as it was possible, that the sum which he would receive under the terms of the compromise would be adequate to carry out the main purposes expressed in the will, and that a practicable scheme had already been formulated.

Banker's Commercial Credit

IT is a common practice of merchants to finance export sales by the expedient of the banker's commercial credit, and three recent cases have been concerned with this practice. The plaintiff buyers in *Malas and Another (trading as Hamzeh Malas & Sons) v. British Imex Industries Ltd* ([1958], 1 All E.R. 262) agreed to buy from the defendant a quantity of reinforced steel rods, delivery to be in two instalments and payment to be effected by the opening of a confirmed letter of credit in favour of the seller with a bank in London in respect of each instalment. The two letters of credit were dully opened by the buyers and the seller realized the first, but the buyers, on receiving the first instalment of the goods, considered that they were not of the quality specified in the contract and sought an injunction restraining the seller from dealing with the second letter of credit.

The Court of Appeal refused an injunction and Jenkins, L.J., delivering the leading judgment, pointed out that the opening of a confirmed letter of credit constituted a bargain between the banker and the vendor, which imposed on the former an absolute obligation to pay, irrespective of any dispute which there might be between the parties on the question whether the goods were up to contract or not. It would be wrong for the Court in the instant case to interfere with what was an established commercial practice. His lordship drew attention to the fact that a vendor selling against a confirmed letter of credit was selling under the assurance that nothing would prevent him from receiving the price, no mean advantage when goods manufactured in one country were being sold in another, and that vendors were often reselling goods bought from third parties, financing the payments necessary to be made to their suppliers against a letter of credit, an arrangement which would break down if a dispute between the vendor and the purchaser were to have the effect of 'freezing' the sum in respect of which the letter of credit was opened.

Bank's Position

THE position of the bank was considered in *British Imex Industries Ltd v. Midland Bank Ltd* ([1958], 1 All E.R. 264), which was concerned with the same transaction. The defendant bank, having informed the plaintiff that an irrevocable credit to the extent of £23,000 was available for the plaintiff's sight drafts accompanied by, *inter alia*, shipped bills of lading, the plaintiff duly presented the requisite documents. The defendant, however, took objection to the bills of lading as not containing evidence of compliance with a condition printed thereon relating to marking and bundling of the goods. As Salmon, J., said in his judgment, the point raised, which was both novel and important, was:

> 'Is it necessary for bills of lading in this form to contain an acknowledgment that the printed terms as to marking and securing have been complied with, or is the bill of lading acceptable so long as it contains no endorsement or clausing to the effect that this printed clause has not been complied with?'

Quite apart from the fact that the clause in question infringed the Hague Rules and to that extent was void, his lordship came to the conclusion that the bills tendered were clean bills of lading and thus satisfied the stipulation in the letter of credit for payment against bills without qualification as to their endorsement: he doubted whether the bank was under any greater duty to its correspondents than to satisfy itself that the correct documents were presented to it, and that the bills of lading bore no endorsement or clausing by the shipowners or shippers which could reasonably mean that there was, or might be, some defect in the goods or their packing.

When Credit Should be Opened

IN *Ian Stach Ltd v. Baker Bosly Ltd* ([1958], 1 All E.R. 542), the question at issue was when, under an f.o.b. contract, a confirmed letter of credit must be opened. Delivery of the goods was to be in 'August/September 1956' and the plaintiff as seller alleged that it was an implied term of the contract that the defendant as buyer would establish the letter of credit not later than August 1st, 1956, or alternatively forthwith on being thereafter called on to do so by the plaintiff. The defendant denied that there was any such implied term and claimed that it was entitled to establish the letter of credit on September 23rd, 1956, that is to say in time to allow the plaintiff to make delivery on or before September 30th to the ship selected by the defendant. Diplock, J., pointed out that the decision of the Court of Appeal in *Pavia & Co, S.P.A. v. Thurmann-Nielsen* ([1952], 1 All E.R. 492) was authority that in c.i.f. contracts the confirmed credit must be opened at latest by the beginning of the shipment period. His lordship held that in a case such as that before him, and in the case of an ordinary f.o.b. contract financed by a banker's confirmed credit, the prima facie rule was that the credit must be opened at the latest by the earliest shipping date: in that way one got certainty into what was a very common commercial contract, and in any other way one could only get a position in which neither buyer nor seller knew what his rights were until all the facts had been ascertained. His lordship had earlier observed that where (as in the instant case) there was a string of contracts, all of which were financed by, and could only be financed by, the credit which was opened by the ultimate user and which went down the string getting less and less until it came to the ultimate supplier, the business sense of the arrangement required that by the time the shipping period started each of the sellers should have received the assurance from the banker that, if the seller performed his part of the contract, he would receive payment. That had the advantage that there would at least be a definite date at which the parties knew that they had to fulfil the obligation of opening the credit. In the result the plaintiff company succeeded and recovered damages in respect of the difference between the contract price and the price at which it resold the goods to other buyers on or about September 14th, 1956, the defendant not having then yet opened a confirmed letter of credit.

Advancement for Unspecified Purpose

IN *Re Moxon's Will Trusts, Downey v. Moxon and Others* ([1958], 1 All E.R. 386) the trustees of the testator's will wished to make an advance to the son of the tenant for life of the residuary estate, who was contingently entitled in remainder. The money which they proposed to advance was not required by the remainderman for any specific purpose and the object of making the advance was saving of estate duty. The will contained no express power of advancement and Section 32 of the Trustee Act, 1925, was not excluded.

Danckwerts, J., held that a payment direct to the beneficiary was for his 'benefit' within the meaning of Section 32 and recognized that the saving of estate duty was, on the facts of the case, something which would enure for the remainderman's benefit. His lordship pointed out, however, that that did not absolve the trustees from making up their minds whether the payment in the particular manner which they contemplated was for his benefit.

Gift of Income Void: Effect on Subsequent Gifts of Capital

THE testatrix in *Re Allan's Will Trusts, Curtis and Another v. Nalder and Others* ([1958] 1 All E.R. 401) left her residuary estate upon trust, after the death of the survivor of her sister and brother, for the maintenance and support of the brother's widow and his children

> 'for the time being in existence whether minors or adults or any person or persons in whose house or apartments or in whose company or under whose care or control or by or with whom the widow . . . may from time to time be employed or residing . . .'

and she further provided that on the determination of the trusts of income the trust funds should go, as to a specific sum to one charity, and as to the balance to another. The testatrix died in 1938, her sister in 1954, and her brother in 1956, without issue but leaving a widow.

Having said that the discretionary trusts quoted above were void for uncertainty and furthermore offended against the rule against perpetuities, because the testatrix's brother might have married a woman who was not in being at the date of the testatrix's death, Danckwerts, J., considered whether this fact also rendered invalid the gifts of capital to the charities. His lordship held that as the charitable bequests had become vested in interest within the perpetuity period, and were not capable of being divested by the prior invalid discretionary trust, of which they were independent, they were valid. They did not take effect, however, until the death of the widow, and accordingly until that time there was an intestacy as regards the income.

Landlord's Intention to Demolish Premises

IN *Craddock v. Hampshire County Council and Another* ([1958], 1 All E.R. 449), the plaintiff sought a new tenancy under Part II of the Landlord and Tenant Act, 1954, and the application was opposed by the respondent Council on the ground set out in Section 30 (1) (*f*) of the Landlord and Tenant Act, 1954, *videlicet*, that on the determination of the tenancy the Council intended to demolish the premises comprised in the holding. The subject-matter of the tenancy was a piece of land ·229 acre in extent, upon part of which stood a Nissen hut, a former cow shed and some other buildings, all of which the Council proposed to demolish with a view to letting the land, unencumbered by buildings, to an agricultural tenant as part of a smallholding. The Court of Appeal held that, once the landlord had established a genuine intention to demolish – and the Court was satisfied that the Council had such an intention – that intention was not made ineffective because it was what might be called ancillary to or subsidiary to some other purpose, *videlicet*, as in the instant case, the incorporation of the land in someone's agricultural holding. In so deciding their lordships applied *Fisher v. Taylors Furnishing Stores Ltd* ([1956] 2 All E.R. 78). Their lordships left open the answer to the question whether Section 30 (1) (*f*) would be satisfied when the holding was substantially open, but there was upon it one relatively small building, in which case it might be said that it would be strange if it were only necessary to show an intention to destroy one relatively small building in order to justify recovering possession of a very large area.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Electronic Accounting

SIR, – The Institute's statement on E.D.P. must have helped many of us to a better appreciation of its significance, but so much of it is appropriate to traditional punched-card methods that one must be careful to detect the real advantages arising from its employment. It can claim to have made improvement in two respects.

(1) Infinitely greater speed of operation.
(2) Greater complexity of detail which it can receive, store and deliver.

As regards speed, the Institute rightly points out two limiting factors, namely: (i) preparation and coding of prime data; and (ii) speed of printing output. These are not, in my view, mere 'limiting factors', but rather, influences of the first magnitude. The time required to process punched cards on traditional equipment is generally speaking a relatively small part of the total time taken from the receipt of original data to printing-off the result. The equipment supervisor only finds satisfaction in its maximum operating performance when it enables him to recover from his greatest source of trouble, namely, breaks in the flow of prime data. So long as this difficulty remains, the speed of E.D.P., so far as accounting routines are concerned, will continue to be as much a matter of interest to accountants as is the speed of the B.R.M. to the average motorist.

One is therefore reduced to consideration of the second advantage, namely, capacity – 'the production of useful information for management which, under existing systems . . . cannot be produced economically . . . or with sufficient reliability in time to be of practical use'. It seems of great significance that on this vital point the Institute feels limited to writing of probable 'indirect advantages which cannot be evaluated precisely'. I suspect that modern management is already amply provided with information through the medium of existing techniques. If anything, there is too much information with the result, in extreme cases, that recipients have so much to read that they have no time for action or that they give up reading and take action regardless of the figures. Within these extremes are varying degrees of this condition which manifest themselves throughout modern industry. In every firm, however, there can be found simple, if crude criteria of efficiency which the exquisite pattern of accounting techniques and devices has tended to conceal during the last forty years. Unless E.D.P. is strictly disciplined to tasks for which it is peculiarly suited, this process will continue. There is, I think, a real danger that where it is installed, figures will be produced for their own sakes – not only at the instance of accountants but in response to demand by their employers; and where, for financial reasons, it cannot be installed, frustrated traditionalists may be tempted to use its absence defensively.

Yours faithfully,
Aughton, Lancs. R. V. OLSEN.

Res Nullius

SIR, – I would be interested in readers' views on the slight moral problem created by the time-lag in the P.A.Y.E. system.

Employers are presented by the Government with a tax-free gift of ready money in the form of deductions which are not required to be handed to the Inland Revenue until up to some six weeks after they have been extracted from their employees. The creation of a separate P.A.Y.E. bank account seems merely to surrender the gift to the bankers.

Could not some form of P.A.Y.E. tax reserve certificate be devised for any employer who wishes to avoid the stigma of using his employees' money?

Yours faithfully,
J. C. S. CONNELL,
Shepperton, *Accountant.*
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Sales Requirements

SIR, – Referring to the letter of Mr P. L. Griffiths (July 26th issue) and his comments on my article 'Sales Requirements', what is meant in the article by 'fixed overhead charges' is 'total fixed costs' and not the fixed costs per unit which is presumably what Mr Griffiths means by his term 'average fixed costs'.

In his second point Mr Griffiths seems to have misunderstood the assumptions on which the curves in the lower chart of Fig. 2 are based. As pointed out in the text, the top chart of Fig. 2 shows the probable relationship between sales volume and selling price as the selling price per unit is increased. Assuming this relationship, the curves in the lower chart follow as a matter of simple arithmetic if we also assume that over the given range the unit variable cost of £2 per article remains constant. The curve labelled 'Variable Costs' refers, of course, to the total variable costs – that is the number of articles times the constant variable cost of £2 per article.

Yours faithfully,

London, SW1. M. C. ASHWORTH.

Ended or Ending?

Sir, – The difference between 'ended' and 'ending' is not, as your correspondents seem to assume, one of tense, but of voice. 'Ending' is a present participle *active*, while 'ended', in this context, can be parsed only as a *passive* participle. 'Ending' is the only form that can be justified grammatically and the idea that it cannot be used with past or future significance is a stylistic nicety unknown outside accountancy.

Incidentally, the use of the phrase 'year to . . .' would obviate all difficulties.

Yours faithfully,

London, W1. N. M. COHEN.

Sir, – I have read with interest the correspondence under the above heading in your issues of July 19th and 26th.

I had always understood that the word 'ended' was correctly used in referring to a period which had in fact 'ended' e.g. year ended December 31st, 1957, and that 'ending' when used correctly referred to the current, as yet unfinished, period e.g. year ending December 31st, 1958, or to a future period e.g. year ending December 31st, 1959.

Yours faithfully,

West Hartlepool. F. ROBINSON, A.C.A.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Bennett *v.* Rowse

In the Court of Appeal – June 6th, 1958

(Before Lord Justice Jenkins, Lord Justice Parker and Lord Justice Pearce)

Income tax – Balancing charge – Trade of letting out aircraft on hire – Destruction of one aircraft – Whether trade permanently discontinued – Income Tax Act, 1918, Schedule D, Case I – Income Tax Act, 1945, Section 17.

The appellant was the owner of two aircraft, which he let out on hire to a company controlled by him. One of the aircraft was destroyed at about 3.20 p.m. on March 12th, 1950. The appellant was notified by telephone and immediately left for the scene of the disaster; but before doing so he gave instructions that the other aircraft was to be grounded. By a letter dated the same day the company was notified that the appellant had 'ceased to hire you the two Tudor aircraft'. This letter was not signed until the following day. The aircraft was insured and the appellant received about £38,000 from the insurance company.

It was conceded that if the destruction of the aircraft and the discontinuance of the appellant's trade were simultaneous, no balancing charge could be made. It was contended by the appellant that his trade came to an end the moment the one plane was destroyed, because it was in fact impossible to carry on afterwards. The respondent contended that the trade was not discontinued when the one plane was destroyed. The General Commissioners decided that the appellant's trade did not cease at the moment when the one plane was destroyed, but at some time thereafter.

Held (affirming the judgment of Mr Justice Upjohn), that the General Commissioners' decision was correct.

Wright *v.* Boyce

In the Court of Appeal – June 18th, 1958

(Before Lord Justice Jenkins, Lord Justice Sellers and Lord Justice Pearce)

Income tax – Emoluments – Huntsman – Monetary presents at Christmas – Income Tax Act, 1952, Schedule E, paragraphs 1, 2, Schedule IX, paragraph 1.

The appellant was employed as huntsman by the Woodland Pytchley Hunt. His appointment was made orally in 1952, and nothing was said about presents. It is a custom in hunts for followers of the hunt to give the huntsman cash presents at Christmas time, and the presents are usually given at the meet on Boxing Day. There is no compulsion to give presents, and no circular or other reminder was sent by the Woodland Pytchley Hunt to followers, nor was there any organized collection. If there should be no meet on Boxing Day, the huntsman would receive few, if any, presents.

The appellant received cash presents in this way

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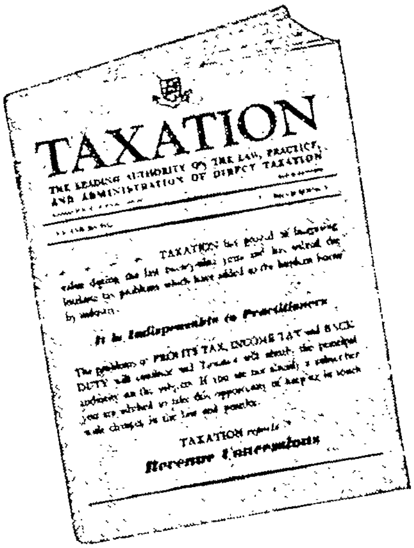

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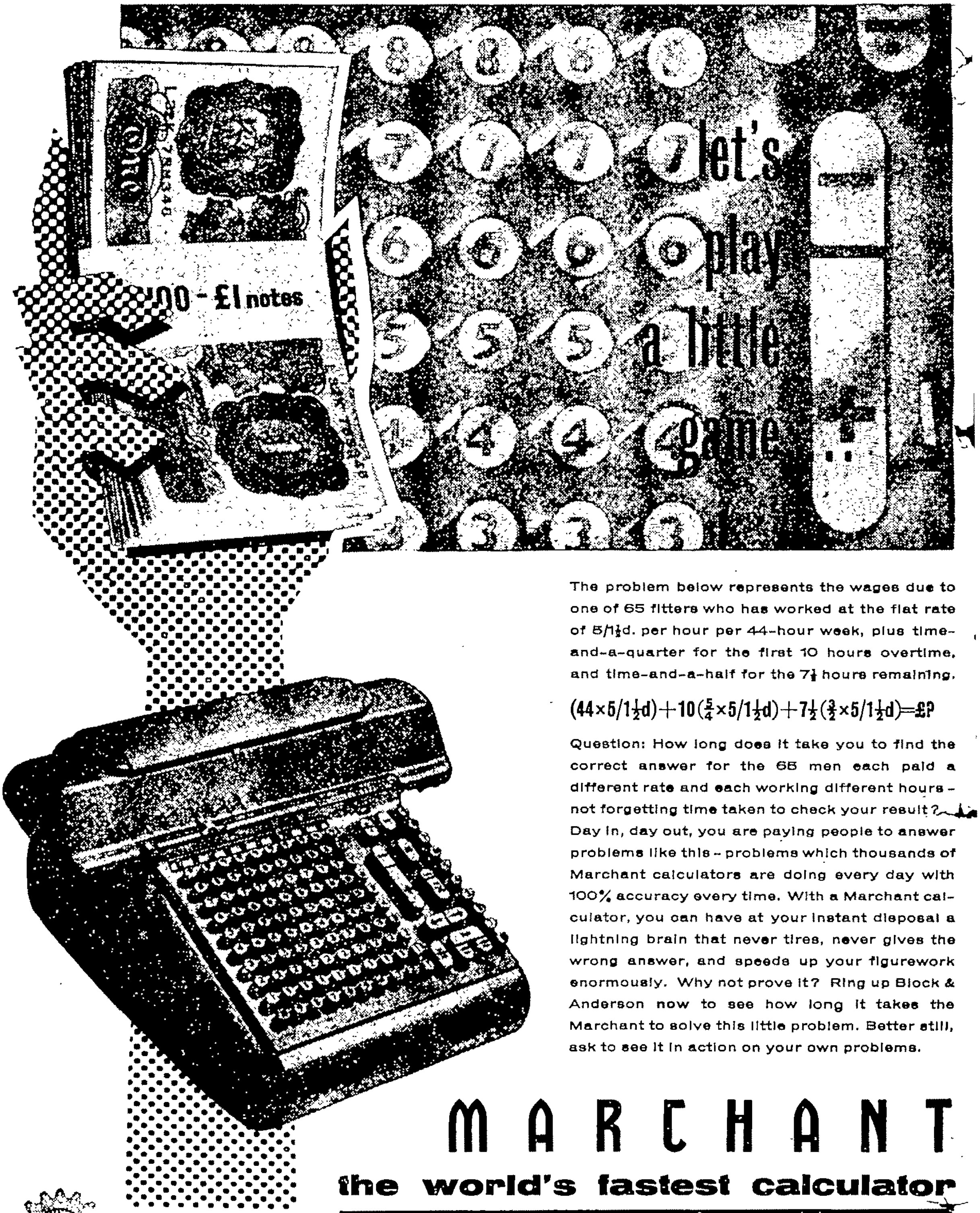
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on each Boxing Day. Some of these presents were from people who had no connection with the hunt. The appellant also received some presents in kind. The Inland Revenue did not seek to include a sum representing the value of presents in kind in the appellant's Schedule E assessment, but they contended that the cash presents should be so included. The Special Commissioners decided that cash presents from followers of the hunt should be included in the assessment, but not cash presents from persons having no connection with the hunt.

Held (affirming the decision of Mr Justice Vaisey), the Special Commissioners' decision was correct.

Noble *v.* Wilkinson
Ridley *v.* Wilkinson

In the High Court of Justice (Chancery Division)
June 25th, 1958
(Before Mr Justice WYNN-PARRY)

Income tax – Appeal – Refusal of adjournment – Confirmation of assessment – Whether miscarriage of justice – Income Tax Act, 1952, Section 52.

In the first case, the solicitors for the appellant wrote to the General Commissioners asking for the adjournment of the hearing of an appeal which was due for hearing the following day, giving as their reason for the request that there had not been sufficient time to complete the accounts since the receipt of the notice of the setting down of the appeal for hearing. The letter stated that they did not propose to attend the hearing in person, unless the clerk to the General Commissioners considered it to be necessary, and he was requested, in that event, to telephone before the meeting. A similar request was made on behalf of the second appellant, and the solicitors' letter in that case was dated a week before the appeal hearing.

At the hearing the General Commissioners invited the Inspector to make his observations, and he asked that no adjournment should be granted.

The General Commissioners refused an adjournment in each case, confirming the assessment in the case of the first appellant, and reducing the assessment in the case of the second appellant.

Held, that there was no ground for interfering with the General Commissioners' decisions.

Hochstrasser *v.* Mayes
Kinder *v.* Jennings

In the Court of Appeal – July 7th, 1958
(Before Lord Justice JENKINS, Lord Justice PARKER and Lord Justice PEARCE)

Income tax – Employment – Loan to employee to buy house – Guarantee against loss – Payment under guarantee – Whether profit from office or employment – Income Tax Act, 1952, Sections 156, 160, Schedule IX, paragraph 5.

The respondent in the first case was employed by Imperial Chemical Industries Ltd, and one of the conditions of his employment was that he should move to such of the company's factories or offices as he should from time to time be directed. In 1950 he was transferred to Lancashire, and meeting with much trouble in purchasing a house, learnt for the first time of a housing scheme operated by the company.

Under this scheme the company made an interest-free loan to an employee who was transferred, varying in amount in relation to his emoluments from the company, and secured by a mortgage of the house. The company did not require the loan to be repaid until fifteen years had elapsed, or until the employee was again transferred, retired on pension, left the company's employment, or died. The company undertook to pay to the employee the amount of any loss of value of the house on a subsequent transfer, or on the employee's death while in the company's service, or on his retirement on pension. If the employee was transferred, and he wished to sell the house, he had to offer it to the company, which then had the right to buy it at a valuation price, any loss being made up by the company. If the company did not purchase the house, and it was sold within a year, the company paid a sum equal to the deficiency between the cost of the house and the sale price; if the house was not sold within a year, it had to be valued at the end of the year, and the company made good any deficiency. If the employee wished to sell the house for reasons of his own, the company, if it consented to the sale, would pay him the amount of any loss.

On his transfer in 1950 the respondent bought a house for £1,850 and financed the purchase by a mortgage from a building society, by an interest-free loan from the company and by providing a small sum himself. In 1954 he was transferred to Yorkshire, and he offered the house to the company, but the offer was declined. He therefore sold the house, with the company's consent, for £1,500, and the amount of the loss, £350, was paid to him by the company. He was assessed under Schedule E in respect of that sum.

The General Commissioners found as a fact that the respondent's salary was calculated independently of anything he might receive under the housing scheme, and that salaries paid by the company compared favourably with salaries paid by other employers not operating such a scheme. They allowed his appeal.

The respondent in the second case was similarly assessed in similar circumstances and he contended that a sum of £450, which had been paid to him under the scheme, was not an emolument for tax purposes. In his case the General Commissioners dismissed his appeal.

Held (Lord Justice Parker dissenting) (affirming the judgment of Mr Justice Upjohn), that in neither case did the sums received constitute profits of the respondents' employment.

Electronics in the Office

Computers and Local Government

MUCH valuable pioneering work leading to the adoption of improved office systems and management techniques is frequently undertaken by Government departments, local authorities and public boards. Treasurers in the public service are keenly alive to the possibilities of increased efficiency and the securing of economies by using a computer.

Six local authorities and a regional hospital board who have either installed or are preparing to install the Hec Type 1201 electronic computer, have established, in liaison with the British Tabulating Machine Co Ltd, their own computer study group. This will provide a forum for the discussion of common problems and for the interchange of information and ideas and the results of research. Particular emphasis will be laid upon programming techniques. Computer projects will be studied both from the administrative and technical aspects. It is considered that the group will facilitate the interchange of up-to-the-minute information between user and manufacturer.

The group has already met six times, the last meeting being held at the Middlesex Guildhall, when members were received by Mr W. O. Atkinson, M.B.E., F.I.M.T.A., County Treasurer, Middlesex County Council, and Immediate Past President of The Institute of Municipal Treasurers and Accountants. Previous meetings have been held in Birmingham, Nottingham and London.

The Chairman of the Group is Mr D. J. Dempster, of Middlesex County Council, and its members comprise two representatives from the West Riding of Yorkshire and Nottinghamshire County Councils; Birmingham, Brighton and Derby County Borough Councils and the South Western Regional Hospital Board. In addition, technical representatives of the company attend all meetings.

The group arranges its own discussion programmes and in addition to the investigation and detailed examination of specific applications, has given particular attention to such matters as preparatory planning for the introduction of electronics, staffing requirements and the O. & M. and 'systems engineering' aspects of computer employment.

Measuring Performance

RECENT work by thirty-nine research associations supported by the Department of Scientific and Industrial Research has resulted in a report published last week[1] under the title of *Research for Industry 1956–57*; it mentions an interesting development fostered by the British Iron and Steel Research Association.

At some time or another, most factories find it necessary to keep continuous records of the operation of machinery, especially where the same machines are used for manufacturing a variety of products and where large numbers of different orders are dealt with in the course of a year.

In order to allocate costs, plan production programmes, and to avoid as much idle plant time as possible, it is absolutely vital to have information readily to hand on such matters as machine operational time, the time during which the machine is idle, the reasons for stoppages and, often, the number and type of articles made. Hitherto, much of this sort of information has been obtained by using instruments that produce pen records on moving charts, but the main drawback to this has been that the analysis of many yards of charting is both tedious and time-consuming.

The very latest performance recorder developed by the Plant Engineering Division of the British Iron and Steel Research Association summarizes the operation of the machine and yet produces a condensed record for analysis. The manner of working is best described by reference to equipment designed for the specific purpose of recording the operation of a rolling mill in a steelworks. Three operating conditions had to be recorded: *running time* (steel strip being rolled); *idle time* (mill stationary during production, threading new coils or changing screw-down and guide settings); and, finally, *stoppage time* (mill out of production owing to roll changes, mechanical failure of plant, or absence of operator, etc.).

The actual performance recorder has two 'accumulators', each of which can be regarded as the electrical equivalent of the mileage recorder of a motor-car speedometer, but set to record time instead of distance. One accumulator records running time, while the other keeps track of idle time. A clock incorporated in the equipment is so arranged as to provide electrical pulses at intervals of 3·6 seconds (1/1000 hour) which are automatically transmitted either to the idle time accumulator or to the running time accumulator, according to the position of a relay on the mill. The operator has under his control a set of push-buttons for the purpose of recording on a tape the code number of each order, or the stoppage code number. There is also an 'incident button', and when this is pressed the data stored in the accumulators and on the push-buttons are punched in the tape and each accumulator and push-button station is re-set to zero.

The tapes can be analysed in several ways. As there are only ten different characters on the tape it is quite easy to 'read' by eye if automatic equipment is not available. On the other hand, the data on the tapes can be transcribed on to punched cards either automatically, by means of a tape-to-card converter, or manually. The analysis can then be performed by ordinary punched-card equipment. Alternatively, the data on the tape can be printed out by a standard teleprint page printer. Where an electronic digital computer is available, full analysis of the data together with a detailed printed record can be readily obtained, with the major advantage that data on tapes can be transmitted automatically from outlying factories to a computer at a central point.

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[1] H.M.S.O., price 7*s* 6*d*.

New Legislation

All new Acts are noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(6 & 7 Eliz. 2)

Chapter 27: Industrial Assurance and Friendly Societies Act, 1948 (Amendment) Act, 1958

An Act to amend to the Industrial Assurance and Friendly Societies Act, 1948, by increasing the limit on the amount of insurances on the life of a parent or grandparent.

Price 3d net. *July 7th, 1958.*

Chapter 29: Marriage Acts Amendment Act, 1958

An Act to enable certain places of worship to be registered for marriages less than twelve months after first being used for worship; and for purposes connected with the matter aforesaid.

Price 3d net. *July 7th, 1958.*

Chapter 31: First Offenders Act, 1958

An Act to restrict the imprisonment of first offenders.

Price 3d net. *July 7th, 1958.*

Chapter 33: Disabled Persons (Employment) Act, 1958

An Act to amend the law relating to disabled persons as regards the minimum age for attendance at certain courses under the Disabled Persons (Employment) Act, 1944, as regards registration under that Act and as regards the provision by local authorities of employment or other work under special conditions.

Price 6d net. *July 7th, 1958.*

Chapter 34: Litter Act, 1958

An Act to make provision for the abatement of litter.

Price 3d net. *July 7th, 1958.*

Chapter 36: Physical Training and Recreation Act, 1958

An Act to make provision for loans to be made by local authorities for physical training and recreation in Great Britain.

Price 3d net. *July 7th, 1958.*

Chapter 37: Drainage Rates Act, 1958

An Act to amend the provisions of the Land Drainage Act, 1930, relating to the ascertainment of annual value for the purposes of drainage rates; and for purposes connected therewith.

Price 4d net. *July 7th, 1958.*

Chapter 38: Defence Contracts Act, 1958

An Act to amend the enactments authorizing the use of patented inventions and registered designs for the services of the Crown in respect of articles required for defence and similar purposes by the Governments of allied or associated countries or the United Nations; to make permanent provision with respect to the use for defence and similar purposes of other technical information protected by contractual arrangements; to repeal certain emergency provisions relating to inventions and designs; and for purposes connected with the matters aforesaid.

Price 9d net. *July 7th, 1958.*

Chapter 40: Matrimonial Proceedings (Children) Act, 1958

An Act to extend the powers of Courts to make orders in respect of children in connection with proceedings between husband and wife and to require arrangements with respect to children to be made to the satisfaction of the Court before the making of a decree in such proceedings.

Price 1s net. *July 7th, 1958.*

STATUTORY INSTRUMENTS

The Import Duties (Exemptions) (No. 14) Order, 1958

(S.I. 1958 No. 1120)

This Order withdraws the exemption hitherto applicable and re-imposes Customs duty at 10 per cent under the Import Duties Act, 1932, on certain siloxanes and mixtures thereof.

Price 3d net. *July 14th, 1958.*

The Additional Import Duties (No. 4) Order, 1958

(S.I. 1958 No. 1121)

The Import Duties (Exemptions) (No. 14) Order, 1958, has withdrawn the exemption hitherto applicable to certain mixtures of siloxanes, some of which are varnishes. This Order re-imposes Customs duty at 12½ per cent under the Import Duties Act, 1932, on those of the said mixtures which are varnishes.

Price 2d net. *July 14th, 1958.*

The Import Duty Drawbacks Order, 1958

(S.I. 1958 No. 1122)

This Order provides for the allowance of drawback of import duty, under the Import Duties Act, 1958, on the exportation of certain imported articles, of goods incorporating those imported articles and of certain goods produced or manufactured from specified imported materials.

The Order comes into force on January 1st, 1959, and provides for drawbacks differing only in minor respects from those at present allowed under existing legislation.

Price 1s 3d net. *January 1st, 1959.*

The Income Tax (Employments) (No. 7) Regulations, 1958 (S.I. 1958 No. 1166)

These Regulations provide for the extention of the time limit from 21 to 30 days for notices of objection to the P.A.Y.E. code determined by the Inspector and for notices of objection to an assessment. In cases of direct collection of tax from employees they correspondingly postpone the time for collection.

Price 2d net. *July 31st, 1958.*

Notes and Notices

PERSONAL

Messrs Thornton & Co, Chartered Accountants, of Liverpool and Wallasey, announce with deep regret that their senior partner, Mr Fredk. H. Thornton, M.B.E., F.C.A., who had been in practice for over fifty years, died on July 23rd, 1958.

Messrs Moores, Carson & Watson, Chartered Accountants, of Glasgow, London and Liverpool, and Messrs McClelland Ker & Co, Chartered Accountants, of Glasgow and London, announce that they have agreed to amalgamate their practices with effect from October 1st, 1958, under the firm name of McClelland, Moores & Co. The Scottish firm will comprise the partners in both the present firms practising in Glasgow with the addition of Mr C. D. Gairdner, Mr C. I. R. Hutton and Mr S. Stevenson in London. The partners practising in Glasgow will be Mr D. S. Carson, Sir Ian Bolton, Bt., Mr S. E. Houstoun, Mr C. P. Ker, Mr John Dunlop, Mr J. M. Leithead, Mr John Goodwin, Mr W. A. Tulloch, Mr D. B. Belch, Mr Cecil Middleton, Mr W. A. Brown, Mr H. M. Leslie, Mr J. E. Boyd, Mr R. C. Smith and Mr G. A. Anderson. The practice will be carried on at 114 West George Street, Glasgow, C2, but, until that building is ready for occupation, will be conducted from the present addresses at 209 West George Street and 120 St Vincent Street, Glasgow, C2. The English firm will comprise the partners in both the present firms practising in England with the exception of Mr John Adamson, who is retiring, and with the addition of Sir Ian Bolton, Bt., Mr S. E. Houstoun, Mr John Dunlop and Mr J. M. Leithead in Glasgow. The partners practising in London will be Mr C. D. Gairdner, Mr C. I. R. Hutton, Mr S. Stevenson, Mr T. G. B. Matheson, Mr H. C. Hopkins, Mr L. V. D. Tindale, Lord Milne, Mr H. R. T. Bowen, Mr G. F. Brown, Mr J. D. Foster, and in Liverpool will be Mr J. G. Hurst and Mr L. G. Davies. The practice will be carried on at Blossoms Inn, Lawrence Lane, London, EC2 (where additional accommodation has been acquired to enlarge the office now occupied by Messrs McClelland Ker & Co) and at Century Buildings, 31 North John Street, Liverpool. Until the extensions to the premises at Blossoms Inn are available the practice will also be conducted from 30 Creechurch Lane, EC3, and 41 Upper Grosvenor Street, W1.

PROFESSIONAL NOTES

Mr W. K. M. Slimmings, C.A., senior partner in the firm of Thomson, McLintock & Co, Chartered Accountants, has been appointed chairman of the reanimated Development Areas Treasury Advisory Committee.

Mr D. M-M. Hackett, A.C.A., has been appointed assistant general manager of Reeves & Sons (Canada) Ltd. He is succeeded as secretary of Reeves & Sons Ltd by Mr G. W. A. Shiells, A.C.A., chief accountant of the company.

Mr Arnold Barton, A.C.A., a general manager of Crosse & Blackwell (Holdings) Ltd, has been appointed a director of the company.

Mr J. E. Sunderland, A.C.A., has been appointed managing director of Enfield Cables Ltd.

Mr P. S. O'Nuallain, B.A., B.COMM., A.C.A., secretary of the New Ireland Assurance Co Ltd, has been appointed a director of the company.

Mr A. W. Taite, F.A.C.C.A., assistant general manager, Eastern Region, British Railways, has been appointed a director of the Atlantic Steam Navigation Co Ltd, and its subsidiary, Frank Bustard & Sons Ltd.

Mr W. Massey, F.A.C.C.A., at present assistant secretary of the Road Transport and General Insurance Co Ltd, has been appointed secretary of the company with effect from January 31st, 1959.

Mr Alan T. Brown, M.A., A.I.M.T.A., assistant secretary of The Institute of Municipal Treasurers and Accountants, has been appointed deputy county treasurer of Berkshire as from August 25th, 1958.

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LORD MAYOR TO ATTEND AUTUMN MEETING RECEPTION

The Lord Mayor of London, Sir Denis Truscott, has accepted an invitation to attend the reception at the Royal Festival Hall on the evening of Thursday, October 2nd, the first day of the forthcoming autumn meeting of The Institute of Chartered Accountants in England and Wales. Mr R. E. Perring and Mr J. E. Evans Cook, J.P., Sheriffs Elect, have also accepted invitations.

The arrangements for the interchangeability of tickets for the various meeting functions have been widely welcomed by members. It will be recalled that this facility was introduced to enable tickets to be purchased corporately, so that, for example, one member could attend functions at the beginning of the meeting and the other at the end. The London and District Society of Chartered Accountants can still meet late demands for tickets and applications should be addressed to the honorary secretary of the autumn meeting, Mr C. J. M. Bennett, B.A., F.C.A., Alderman's House, Bishopsgate, London, EC2.

CHARTERED ACCOUNTANTS' DAY CONFERENCE

The first meeting of the newly-formed Bedfordshire, Buckinghamshire and Hertfordshire Group of the London and District Society of Chartered Accountants is to be held at Pendley Manor, Tring, on Monday, October 13th. The meeting will take the form of a day conference on the theme 'The relation of the individual member with the Institute'.

It is the committee's intention that the conference shall provide something of interest to both professional and industrial members and the following programme has been arranged:

First Session: An address on the conference theme by Mr E. K. Wright, M.A., F.C.A.

Second Session: An address by Mr J. H. Mann, M.B.E., M.A., F.C.A., a member of the Council of the Institute, on the subject of the new recommendations of the Institute with particular emphasis on the treatment of taxation in company accounts.

Third Session: An address by a prominent industrial accountant on the problems of the relations of the Institute with its industrial members.

The day will end with a forum comprising the three speakers.

The cost of the conference will be 25*s* per member, including coffee, lunch and tea.

Notice of the conference, which will commence at 10.30 a.m. and finish at 6.30 p.m., has been circulated to chartered accountants in the group's area, but any member of the Institute, or former member of the Society, who has not received notification is asked to write to the honorary secretary of the group, Mr E. John Frary, A.C.A., 26 Victoria Street, Luton.

IN PARLIAMENT

Income Tax: Expenses

Mr GRESHAM COOKE asked the Chancellor of the Exchequer whether he will investigate the possibility of making income tax allowance available for the purchase of essential technical books by salaried professional people in connection with their work.

Mr SIMON: My right hon. friend reviewed before the Budget the whole question which expenses should rank for tax relief under Schedule E, but did not feel able to propose any extension of the present law beyond that contained in clause 16 of the Finance Bill.

Hansard, July 28th, 1958. Written Answers. Col. 88.

RETIREMENT PENSIONS FOR WIDOWS

The Minister of Pensions and National Insurance, Mr John Boyd-Carpenter, has made regulations[1] which enable a widow claiming a retirement pension on her own insurance to make use of her husband's contribution record if he entered the scheme in July 1948, and died before completing his first contribution year. The regulations came into operation on August 2nd.

Previously, a widow could substitute her husband's contribution record for her own for the period of the marriage only if he completed at least one year's insurance.

The new regulations also apply to women whose marriage is terminated during the husband's first contribution year otherwise than by his death.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

AUTUMN RESIDENTIAL COURSE

The fifth autumn residential course for members of the London Students' Society will be held, as previously announced, at Balliol College, Oxford, from September 11th to 14th. The President of the Society, Mr W. E. Parker, C.B.E., F.C.A., will preside at dinner in Hall on Thursday evening, and the remainder of the programme is as follows:

Thursday: Lecture on 'Taxation as a means of economic control', by Mr John Wiseman, B.SC.(ECON.), Lecturer in Economics, University of London.

Friday: Lectures on 'Information for the board', by Mr E. H. Davison, A.C.A., Treasurer, Courtaulds Ltd.

'The economics of industrial relations', by Mr Leonard Murray, B.A., Secretary, Research and Economics Department, Trades Union Congress.

Saturday: Lecture on 'Auditing in practice', by Mr J. A. Jackson, F.C.A., a Vice-President of the Students' Society.

Sunday: Service in College Chapel.

Lecture on 'The valuation of shares', by Mr J. F. Shearer, O.B.E., F.C.A.

Each lecture will be followed by discussion in groups, and at a final meeting with the lecturer points raised by the groups will be considered.

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[1] National Insurance (New Entrants Transitional) Amendment Regulations, 1958, S.I. 1958, No. 1239. H.M.S.O. 4*d*.

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THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 12.30 p.m. on Monday next, August 11th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be the miracle of the cure of the ten lepers. (Luke xvii, 11–19.)

SANDWICH COURSES IN ACCOUNTANCY

A recently-issued *List of Sandwich Courses*, approved by the Ministry of Education in further education establishments in England and Wales,[1] shows that courses in accountancy subjects are provided in only four of the ninety-five establishments listed. These courses are designated as:

(*a*) works accountancy; a two-year course for the I.C.W.A. Final, starting in September, at the City of Birmingham College of Commerce;

(*b*) cost and works accountancy; a two-year course for I.C.W.A. Inter. and Final, starting in September, at Bristol College of Commerce;

(*c*) cost and works accountancy; a three- to four-year course for I.C.W.A. examinations, starting in January, at Balham and Tooting College of Commerce.

(*d*) accountancy; a one-year course for 'Intermediate professional', starting in September, at Flintshire Technical College, Connah's Quay.

'Sandwich courses' are courses consisting of alternate periods – usually five to six months – of study in a technical college and experience in industry. Courses are either 'works-based' – the students being employees of a particular firm (or firms) who gain their practical experience within that firm; or 'college-based', where the students enrol at a college which arranges practical training periods with a variety of firms.

MANAGEMENT COURSES

The next British Institute of Management/Polytechnic executive programme, a residential course for senior managers, is to begin on November 10th at the department of management studies of the Regent Street Polytechnic, London.

The executive programme will consider some of the new developments in management theory and practice. The course is designed for selected executives nominated by their firms and nominations will be received until the end of August. The fee will be 100 guineas and hotel accommodation will cost 65 guineas in addition.

Applications to attend the course should be made to the Director of the Executive Programme, Department of Management Studies, St Katharine's House, 194 Albany Street, London, NW1. Nominations may also now be made for the 1959 courses which will be held from February 2nd to 27th; April 13 to May 8; and from November 9th to December 4th, 1959.

The Department of Management Studies of the Polytechnic is also holding several daytime courses on economic, financial and accounting subjects. A management accounting course of fifteen Wednesday afternoon meetings begins on October 8th and a course of five Thursday afternoon meetings commencing on October 9th is to be held on the presentation of accounting information.

A special evening course of fourteen weekly meetings for executives and financial and cost accountants on management control through accounting begins on Thursday, October 9th.

COMPUTER COURSES

A series of one-day conferences on electronic computers and their industrial application is to be held by the Birmingham College of Technology in the autumn. The first of the series, with special reference to Ferranti computers, will be held on October 8th. The conference fee (including luncheon) is £2, and further details and application forms may be obtained from the Registrar, College of Technology, Gosta Green, Birmingham, 4.

TRUSTEE SAVINGS BANKS' YEAR

'Notwithstanding the changing financial climate which beset the national scene during 1957,' states the twenty-fifth edition of the *Trustee Savings Bank Year-book*, now published, the trustee savings bank year which ended on November 20th, 1957, resulted in an overall increase of £49,773,867 in the total funds of the banks, compared with £50,803,282 for the preceding year.

During the year, 968,326 new accounts were opened, and at the end of the year there were eighty-four separate trustee savings banks with 1,333 offices – an increase of eight offices.

The *Year-book* contains an alphabetical list and directory of trustee savings banks in the United Kingdom and Eire and an extensive statistical section.

CRICKET

In their final match of the season played at Trelai Park, Cardiff, on July 30th, the South Wales and Monmouthshire Chartered Accountant Students' Society comfortably defeated the West Wales Chartered Accountant Students' Society. In an exceptionally low scoring game, the West Wales Society won the toss and decided to bat, making 30 (Thomas 5–9, Robinson 2–1). The South Wales Society, in reply, scored 31 for 5.

C.A.S.S. OF LONDON *v.* BOURNEMOUTH C.A.S.S.

The Chartered Accountant Students' Society of London, having been put in to bat, soon began to score freely in their match with the Bournemouth Chartered Accountant Students' Society played at Bournemouth on July 29th. K. Jones and R. Radford proved the mainstay of the innings and in just over 100 minutes London were able to declare at 149 for 6. After tea, the wicket proved more favourable to spin and Bournemouth, despite a brave stand by the last wicket pair and a commendable innings of 45 by Robinson, were dismissed for 113, thus giving the London Students their first win of the season.

Scores:

London 149 for 6 declared. (K. Jones 74; R. Radford 43.)

Bournemouth 113 for 10 wickets. (Robinson 45; R. Macnutt 6 for 54.)

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[1] Education List No. 182, H.M.S.O., 1*s* 6*d* net.

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Tax Liability and Damages

THE Courts have frequently been concerned to decide the point at which damage which a plaintiff has suffered becomes so remote from the original injury that the defendant should not be held liable for it. Various tests have been applied in these circumstances at different times, the most important being whether the damage was the direct and natural consequence of the defendant's act, whether a reasonable man would have foreseen the damage as likely to follow from his act, and thirdly, whether it was a direct consequence of the act and a reasonable person would have anticipated *some* damage occurring.

Sometimes the defendant is able to point to a *novus actus interveniens*, that is to say, an extraneous happening which breaks the chain of causation.

Some twenty-five years ago, for the first time in any reported case, a defendant sought to mitigate damages by relying on the intervention of a third party in the rather different circumstances with which this article is concerned. He said, in effect: I agree that your future earnings have been reduced as a result of my actions but, in any case, a third party, namely, the Revenue, would have stepped in and taken part of those earnings and I am entitled to reduce your claim against me accordingly.

Not unnaturally, this proposition seemed rather startling at the time; it was rejected by DU PARCQ, J., and, though it was relevant to cases arising almost every day in the Courts, it was not until 1949 that a defendant took the point to the Court of Appeal. In *Billingham v. Hughes* (28 A.T.C. 84), the earlier case was confirmed. TUCKER, L.J., said that the basis of awarding damages was to put the plaintiff back in the position in which he was before the injury, so far as it was possible to do so financially. This would only happen (at any rate in cases when P.A.Y.E. did not apply) if he were awarded damages equivalent to the gross earnings he had lost, because until the tax had to be paid he would have the use of the money; questions of his ultimate liability to tax were matters which did not concern the defendant. SINGLETON, L.J., felt the justice of the criticism that if tax were ignored in awarding damages the plaintiff might be much better off, but he felt that, rather than disturb present practice and introduce immeasurable complications into the calculation of damages, the solution was that damages representing loss of earnings or other taxable sums should be assessed in the hands of the recipient. BIRKETT, J., considered, in a case of wrongful dismissal, the employer's duty was to pay the salary agreed and that a wrongdoer should not be entitled to an abatement of the damages he ought to pay merely because of the tax position of the plaintiff:

> 'the State would certainly lose, and the measure of the State's loss would be the measure of the defendants' gain'.

However, helped by the high rates of taxation after the war, the tide of legal opinion began to flow the other way and the turning point came when a MR GOURLEY was awarded £37,720 against the British Transport Commission by the High Court, a figure some five and a half times as great as the total benefit he would have derived from his remuneration (taking tax into account) if he had not been injured, and presumably far more than he would ever have been able to save out of earned income, however successful his professional activities had been.

The case went to the House of Lords and, in view of its importance, was argued before seven law lords. They held (LORD KEITH OF AVONHOLM dissenting) that the damages should be reduced to £6,695, the sum calculated on the basis of tax being taken into account. LORD GODDARD said that the basis of damages is compensation and not *restitutio in integrum*, as TUCKER, L.J., had held in *Billingham v. Hughes*. He also pointed out that it was not sufficient to say that the plaintiff's future taxation position is irrelevant as *res inter alios acta* – the fact that a plaintiff has obtained remunerative employment with a third party is relevant whether in a case of wrongful dismissal or personal injuries. The question is, whether taxation is or is not too remote to be taken into account. Tax is imposed by law and to say that a taxpayer has the benefit of his full income is out of touch with reality.

LORD TUCKER expressed himself as now persuaded that *Billingham v. Hughes* was wrongly decided and he gave as the true answer to what type of future expenditure should be taken into account in awarding damages as expenditure which is imposed by law as a necessary consequence of the receipt of the income.

LORD KEITH favoured the 'simple rule which has been adopted for generations and creates the minimum of trouble'. He pointed out that, in earning a large salary with a high rate of tax, a man may have in mind making payments under covenant, maintaining and perhaps increasing insurance policies, and other factors which would not be revealed by a consideration of his tax position at a particular date, e.g. of an accident. Besides, if an award of damages for loss of earnings is not already subject to tax, the Courts should not in effect tax it in an indirect way.

The principles laid down by *British Tranports Commission v. Gourley* (34 A.T.C. 305) have already been applied in a large number of varying circumstances and there is little doubt that the position is becoming more and more complicated. In *Hall & Co Ltd v. Pearlberg* ([1956] 1 All E.R. 297), it was applied to damages for trespass, in *Re Houghton Main Colliery Co Ltd* (35 A.T.C. 320), to a proof in a liquidation in respect of an obligation to pay pensions, in *West Suffolk County Council v. W. Rought Ltd* (35 A.T.C. 315), to compensation for loss of profits resulting from the exercise of statutory powers.

This is the context in which the fifteen highly distinguished members of the Law Reform Committee reported recently[1] and, as we mentioned in a Weekly Note in our last issue, no recommendation was made in view of the differences of opinion which were found to exist.

MR JUSTICE DONOVAN and two other members thought that tax should not be taken into account any more than any other liabilities the plaintiff might have to meet; each £1 of income lost is worth £1 to the plaintiff either to spend on himself or to discharge his liabilities. The present law may operate contrary to public policy because it is now sometimes more profitable to break rather than to perform a contract. Again, it would be wrong to tax damages since these should represent loss of earning capacity rather than loss of earnings; in other words, the sum is of a capital nature.

Three other members also supported the position as it was held to be in *Billingham v. Hughes* and, in particular, SINGLETON, L.J.'s suggestion that damages (especially for breach of a service contract) should be taxed.

The remainder thought the present law should not be altered. They dismissed the suggestion that the Revenue should be made a party in cases where there is doubt as to the tax position on the ground that the need would rarely arise. They did, however, consider that practical difficulties might be found to exist which would make a further review desirable in the future. So there the matter stands for the time being.

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[1] Cmnd. 501. H.M.S.O.

The Finance Act, 1958–II

Section 21: *Saunders'* Settlements

SECTION 21, which closed the gap revealed by the House of Lords' decision in *Saunders v. C.I.R.* (36 A.T.C. 181), has already been discussed in these columns when the Bill was passing through the House of Commons. Subsection (4) was also amended on July 15th in order to extend the time within which the parties could take avoiding action by altering the terms of the settlement. Under the original clause, the settlement had to be altered within three months of the passing of the Act.

Now, the parties are given until April 5th, 1959, to have the offending provisions of the settlement removed, or even longer if the Inland Revenue allow. A warning was given in the House of Commons that the Inland Revenue would not exercise this dispensing power in favour of people who were late simply because they were unaware of the necessity to have the settlement altered; the delay must be due to difficulties encountered by people who are being reasonably diligent to comply with the new requirements.

As originally drafted subsection (4) dealt only with releases and disclaimers. However, very often it is necessary to have modifications of the settlement approved by the Court before they are valid and the necessary wording has been inserted to cover changes made in this way. Again, it was overlooked when the section was originally drafted that the parties might have taken avoiding action of another kind, i.e. by exercising the discretionary power as far as it could be exercised and then modifying the settlement so as to avoid the new section in relation to the part (perhaps a very small part) of the trust fund which remained. As amended, Section 20 (4) withholds the escape provisions where the offending power has been exercised since April 15th, 1958, being the date when the new legislation was first foreshadowed by the Chancellor.

Some settlements are made very much at arm's length, with no background of tax avoidance at all. This is particularly so with settlements made in connection with judicial separation, ordinary separation agreements and settlements made on the occasion of a divorce. Representations were made by the Law Society that the Bill in its original form might operate very harshly in many such cases. By an amendment made to Section 21 on July 15th, settlements of this kind were excluded from the mischief of the section.

Of the section in its original form, a solicitor Member of Parliament observed that the kindest thing that could be said was that it must have been drawn by someone who had never been in practice.

Dividend-stripping by Proxy

Section 18 (originally clause 16) was also amended at a late stage in the Bill, when subsection (5) was added. The main object of the section is to close a gap in the anti-dividend stripping legislation of 1955, the gap being the immunity of what has come to be known as dividend-stripping by proxy. A dividend received by the finance house or charity was not caught unless it was paid out of accumulated profits. Thus the finance house could interpose another company between itself and the company to be stripped. Having received the stripping dividend, this intermediate company could immediately pay a dividend to the finance house, in whose hands it would be a dividend out of the current profits of the intermediate company, and therefore immune from the anti-dividend stripping legislation. This gap was closed by Section 20 (3), which inserted a new paragraph (*d*) in paragraph 5 (3) of the Third Schedule to the Finance (No. 2) Act, 1955, the effect of which is to treat the dividend from the intermediate company as being made out of accumulated profits. Section 20 (4) is merely consequential.

The draftsman of the original clause thus had the significance of the words 'profits accumulated' well in mind, but he overlooked two other matters which restrict the scope of Section 4 of the Finance (No. 2) Act, 1955. In the first place, the section does not hit dividends received by the finance house etc. on shares which it acquired before October 27th, 1955. Now the finance house might well have held shares in the intermediate company since long before that date, so that notwithstanding that the dividend from it was treated as accumulated profits, nevertheless the dividend would be immune. Similarly, Section 4 of the 1955 Act does not extend to dividends on shares which the finance house etc. has held for six years or more, and here again it may have owned the intermediate company for that period, although, of course, this aspect will not be so important until six years have elapsed since October 1955. Section 20 (5) closes the gap by providing that the pre-October 1955 and the six-year limitations shall not apply in the case of dividends from an intermediate company.

Section 19: Loss Companies

The extensions made by Section 18 of the scope of the 1955 provisions by reference to stripping by proxy automatically apply also to stripping by loss companies, which is dealt with by Section 19. However, these provisions deal only with dividends. The loss company might be able to get the taxed income out of the intermediate company otherwise than by procuring the payment of a dividend. Two ways of doing this have occurred to the Inland Revenue, and Section 19 (2) which was added to the Bill on July 15th, 1958, is aimed at these. In the first place the intermediate company might make a subvention payment to the loss company, whereupon, pursuant to Section 20 of the Finance Act, 1953, the grossed-up amount of the subvention payment would be treated as taxed income of the loss company and available for relief accordingly. Section 19 (2) (i) now provides, in effect, that a dividend received by the intermediate company out of accumulated profits is to be disregarded for the purpose of computing the allowable amount of the subvention payment made by it to the loss company.

The second way of dispensing with a dividend is for the intermediate company to covenant to make an annual payment to the loss company and thus to apply the accumulated profits dividend in that way. Section 19 (2) (ii) provides that if any annual payment 'is to any extent payable out of' the accumulated profits dividend, it shall be deemed to that extent not to be payable out of profits brought into charge and Section 170 of the Income Tax Act, 1952, is to apply accordingly.

Section 19 (4): Intra-group Share Transfers

Section 19 (4) was also introduced on July 15th, in implementation of a promise by the Government to mitigate the operation of the section in favour of groups of companies where one member of a group buys shares in another member from a third member. In this connection groups are defined in the same way as for profits tax, i.e. a 75 per cent holding, directly or indirectly is necessary, not merely a bare majority. If in a long-standing group consisting of A., B. and C., company A. acquires, from B., shares in C., and then takes a large dividend from C. out of accumulated profits, then without Section 19 (4), the dividend-stripping legislation would be applied. However, if C. accumulated the profits while it was in the same group as A., it is clear that there has been no real avoidance. Section 19 (4), which seems to have been drawn in as baffling a manner as possible, seeks to prevent the hardship that might arise in such intra-group transactions. It directs, in effect, that in considering to what extent the dividend from C. is paid out of accumulated profits, the acquisition of the shares by A. shall be deemed to have occurred at an earlier date than when it in fact occurred. This earlier date is to be either:

(*a*) the time when B. acquired the shares in C.;
or (*b*) the time when A. and B. became members of the same group;
whichever is the later.

Suppose now that B. had originally acquired the shares in C. from a fourth company, D., at a time when all four companies formed the same group. In that case, the deemed date of acquisition by A. is made earlier still. It is now either:

(*a*) the time when D. acquired the shares in C.;
or (*b*) the time when B. and D. became members of the same group;
whichever is the later. And so on.

Conclusion

This concludes our examination of the provisions of perhaps one of the most complicated Finance Acts which have ever been passed. It is highly questionable whether all these complications are justified. In particular, the legislative pursuit of dividend-stripping transactions, real and imaginary, and of settlements, seems to have reached the stage of an obsession. (*Concluded.*)

Contractual Effect of Company Articles

by J. C. ARNOLD

A PRIVATE company is defined in Section 28 of the Companies Act, 1948, as one that by its articles –

(*a*) restricts the right to transfer its shares;

(*b*) limits the number of its members to fifty not including employees and ex-employees;

(*c*) prohibits any invitation to the public to subscribe for any shares or debentures of the company.

The restriction upon the right to transfer its shares is perhaps the most salient attribute of a private company and as a consequence, provision is usually made in the articles governing what is to happen when a member wishes to transfer his shares or when a member dies. There is usually a clause to the effect that if a member wishes to transfer his shares during his life, he must inform the directors who will take the shares equally between them at a fair value.

There has been a good deal of litigation in the Chancery Courts from time to time over the precise meaning of such a clause, and of its binding effect upon the directors, which in turn introduce the major question of how far the articles of association constitute a contract between the members, *inter se*, and whether members can sue each other in order to enforce compliance with the articles. The recent case of *Rayfield v. Hands* ([1958] 2 All E.R. 194), is illustrative of both these points, and in considering the articles of a private company both the lawyer and accountant can learn a good deal from it.

Directors' Obligation to Take Up Shares

The plaintiff in the case was a shareholder in a private company and the action was against the directors who were also shareholders. The shareholder wished to transfer his shares and in order to do so relied upon Article 11 of the articles which ran as follows:

> 'Every member who intends to transfer shares shall inform the directors who will take the said shares equally between them at a fair value, but subject to the above no person shall hold more than one thousand shares in the capital of the company.'

The following clause (12) may also be quoted as it shows how further obligations were put on directors in the event of the death of a director.

> 'In the event of the death of any director his shares are to be taken up equally between the remaining directors who will pay a fair value therefor together with all moneys due to the deceased up to the time of his death.'

But in the case under review, on the member making application to transfer shares in accordance with the terms of the articles, the directors refused to have them valued and to take them at a fair value. They claimed that the terms of the article quoted gave the directors an option to refuse, and that in any case the articles did not constitute a binding contract between a member and the directors such as could be enforced by a court of law. This second ground for refusal is, of course, the more important one and goes to the whole structure of the Companies Acts.

The first point, namely, that of option, may be dismissed very briefly. The clause by the use of the word 'shall' puts an imperative obligation on the shareholder to offer his shares – can it be said that the word 'will' in relation to the directors is permissive and does not import a reciprocal obligation? The learned judge referred to various decisions notably that of *Holmes v. Lord Keyes* ([1958] 2 All E.R. 129) where Jenkins, L.J., said at page 138:

> 'Articles of association of the company should be regarded as a business document and should be construed so as to give them reasonable business efficiency . . . in preference to a result which would or might prove unworkable.'

There might conceivably be cases – e.g. where the member wishing to transfer was himself a director in which case the clause might give rise to difficulties – but in circumstances such as those before him, where all was plain sailing, the obligation was reciprocal. The clause is to be interpreted in a common-sense business way and to take them means that the obligation to offer the shares and take them is reciprocal.

Contract Between Shareholders and Directors

The second point taken by the directors that the terms of the articles did not constitute a binding contract between the members and the directors or between a member and the other shareholders generally, is one on which there have been ding-dong battles in the Courts over a great number of years. It all turns on the interpretation of Section 20 (1) of the Companies Act, 1948, which is only a repetition of similar sections to be found in the Companies Acts from the very beginning. The subsection reads:

> 'Subject to the provisions of this Act the memorandum and articles shall when registered bind the company and members thereof to the same extent as if they had been signed and sealed by each member and contained covenants on the part of each member to observe all the provisions of the memorandum and of the articles.'

Although there has been controversy on the effect of the section, the decisions seem to agree that it regulates the rights of members *inter se* in regard to the company as touching any question affecting their shares. Here the member sued the directors personally, not the company, but it was held by the learned judge that directors cannot divest themselves of their character as members of the company. There is good judicial authority for saying that the directors 'continue members of the company and are working members of the company'. Members are bound by the articles in their relations one to another within the company and because a member has been elevated to the position of director, he cannot be heard to say that to assert his rights a fellow-member must sue the company and not rely on a contract with individual members. Both are members of the same company who by virtue of Section 20 have accepted the articles as a contract by which they are bound.

It has been said, however, that the articles constitute a contract binding the members among themselves but a contract which is not in most cases enforceable (see *Charlesworth on Company Law*, 6th ed., p. 30). Accepting then that directors are also ordinary members, does this bring us any further in the question of whether a member can sue a director in his capacity as an ordinary member?

Other Decisions

The question cannot perhaps be answered in general terms, but where the matter has been one of a member enforcing a clause in the articles which regulate dealings in regard to his shares by other members of the company, recent decisions point to a contract enforceable in law. In *Deane v. Price* ([1954] 1 All E.R. 749) the articles of a private company carrying on a light engineering business provided that a deceased director's shares should be purchased by th surviving directors at a price to be certified by a auditor as a fair value. A dispute arose as to th basis of the auditor's valuation and the matte was taken to the Courts. Throughout the litigation it was taken for granted that the article bound the surviving directors by an enforceabl contract to take the shares at a proper valuation In another case, *Hickman v. Kent* ([1915] 1 Ch 581), the learned Lord Justice referred to th articles of the company concerned as a 'deed o partnership by which the shareholders agre *inter se*'.

Analogy with Partnership Deed

The facts set out in *Rayfield v. Hands* constituted a strong analogy between the position o the shareholder *qua* the other members and tha of a partner in respect of the other members of partnership. The conclusion of the learned judg may best be summed up by a further quotatio from the actual judgment.

> 'I am encouraged, not, I hope, unreasonably to find in this case a contract similarly formed (a in *Dean v. Price*) between a member and membe directors, in relation to their holdings of th company's shares in its articles. The conclusion t which I have come may not be so general i application as to extend to the articles of associatio of every company, for it is, I think, material t remember that the private company is one of tha class of companies which bears a close analogy t a partnership. . . . Nobody, I suppose, would doub that a partnership deed might validly and properl provide for the acquisition of the shares of on partner by another partner on terms identica with those of Article 11 in the present case.'

A partnership deed may, and in fact alway does, provide for the acquisition of one partner' shares by another in the event of certain happenings, and such stipulations would always b enforced by a court of law against another partner. It was therefore held that the articles constituted a contract between the members of th company and one which a member could enforc against his fellow members without making th company a party to the suit.

It was said in the *Rayfield* case that the article in the particular company were not drafted by lawyer. If they were not drafted by a lawyer, i would be a safe hazard to assume that they wer drawn by a member of an analogous profession and it is therefore somewhat cheering to kno that they have been held to constitute a good an enforceable contract. Clients can be safely advise that their rights under such a clause are sure.

Computers and Commerce

AN APPROACH TO PROGRAMMING

by A. S. DOUGLAS, B.Sc., M.A., Ph.D., A.Inst.P.
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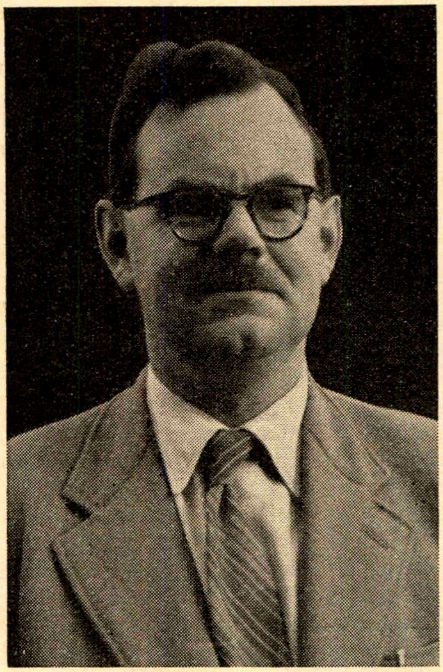
WHILST I have some qualification to write about the uses of computers, since I have been concerned with programming for them since 1950, I must confess at once to having no formal qualification in accounting. It is, therefore, with some diffidence that I put forward some views on a subject touching accountancy to an audience of accountants. As a mathematician by training, I am further very conscious that whilst some of the points that I make can be demonstrated, they certainly cannot be proved.

The main uses of a computer so far have, of course, been in the fields of science and engineering. From the point of view of commerce, these applications are only of interest in so far as we may learn from them some of the techniques employed. There are, I think, two lessons to be learnt from our experience in these fields. The first of these is that since the computer embraces a very much larger field of endeavour than has been taken over mechanically before, it is essential to approach each problem from a fundamental viewpoint. It is not generally desirable to mechanize directly the existing techniques, without at least first examining the fundamentals on which these techniques are based. The second important lesson to be assimilated is that efficient programming of a problem cannot be done by someone who is wholly unacquainted with the nature of the problem that he is programming.



Mr A. S. Douglas

The technique of programming itself, however, is not difficult to learn. From this we may conclude firstly, that it is better to take a person who is well-trained in the business and teach him to programme, than to attempt to teach business to a trained programmer, and secondly, that it is better to divide tasks in such a way that each programmer carries through a single task from start to finish, rather than that one person prepares the work for programming and another actually does that part of the work.

Book-keeping by Computer

We may divide the uses of computers in commerce into two main categories. These are firstly book-keeping, and secondly control and management. Under the general heading of book-keeping I include the maintenance of ledgers, balances, stock records and other forms of account, and also the preparation of statistical data based on these records. Under control and management I include the techniques of stock control, of production control and of transport control, all of which exhibit similar characteristics.

In what follows it is understood that an automatic digital electronic computer is to be used to carry out the operations considered. Input usually involves preparation of punched cards, or a similar medium. All operations in book-keeping, such as entry in ledgers, up-dating of balances, calculations of payment due and so forth can readily be carried out within an automatic computer in accordance with a 'programme' drawn up to direct the flow of information and its recording, provided sufficient storage is available to hold the records required. Furthermore, devices for printing results, such as invoices, pay-slips, etc., can be controlled by the machine. If the amount of storage required is large, the latter requirement can always be fulfilled by recording on magnetic tape reels, which can be attached to the computer system as required in order to supplement its capacity.

I shall assume generally that the volume of records is sufficiently large that the use of magnetic tape for storage is essential. This imposes certain limitations on the techniques available in carrying out the up-dating of files or the maintenance of stock records.

Let us consider the problems of book-keeping first. Following the fundamental approach to the subject recommended above, we must first define the area of business over which records are to be maintained. In principle all trade over the world is an indissoluble unity and only a limited number of the records now

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This paper is based on a series of lectures given at Leeds under the aegis of the College of Commerce.

kept are essential. However, for practical purposes we consider only a limited region of the whole, combined into a unit of arbitrary size. Within that unit we wish to record all transactions with external parties and also to keep internal records for the purposes of managing the unit.

Determining the Information Required

The first task, then, is to determine what information is required to maintain these records. This information, we shall suppose, held on 'documents of original record'; these are, of course, indispensable, but should be kept as few as possible and should, so far as possible, be prepared in a form suitable for the computer to use directly. The next task is to determine what information is required to manage the unit and also what documents must necessarily be prepared to pass out of the unit and act as documents of original record for other similar units. The job of the computer system, as of any book-keeping system, can then briefly be defined as that of producing the required output given the defined input.

In order to give this general statement a concrete form, let us consider the processing of an order sent to a retail warehouse. In the first instance this might be inspected to see if the customer is likely to be bona fide; secondly, the items might be examined to see if they are available in the stock, and, next, a price might be put upon each item.

A record would probably be kept of the items demanded both so that demand in the future might be forecast accurately, and also to maintain information sufficient to determine when to reorder stock. Finally, an invoice might be prepared and, from this, a set of articles assembled, packed and dispatched.

In this example the essential document of original record is the order. The required output is the priced invoice, and also the information about stock levels from time to time required for management purposes. Supposing that the computer can provide the required output from the given orders, we are not directly concerned with how it does so, and, in particular, the actual form of internal accounting employed can be chosen to suit the medium of storage employed. This freedom of operation within the computer can be exploited to shorten the time taken to maintain the records. It is, therefore, of the utmost importance to define carefully the fundamental input and output and to allow as wide discretion as possible to the programmer.

General Programming Considerations

In general, the sequence in which items are put in is not the same as that in which they are required to be put out. In arranging to obtain the required output there are two extremes of method. The first of these is to arrange all the incoming information into the sequence in which it will be consulted. An alternative procedure is to leave the information coming in, in the sequence in which it is received and to select from it, in the appropriate output sequence, those items which it is wished to consult. Intermediate to these two extremes are many possible arrangements. The overall time of input and consultation combined will obviously differ from one arrangement to another. Furthermore, the timing of the operations concerned plays a considerable part in deciding the overall time taken.

For a particular computer it is possible to derive a series of mathematical formulae demonstrating the above remarks. If we assume that in any operation the dominant time is likely to be that of the movement of the magnetic tape, we can give approximate expressions which would be general to machines of several types. As an example let us consider the simple problem of obtaining a set of balances from some incoming data.

We may assume that the balances are to be consulted only once a week on the same day. Let us suppose that the number of balances is N and that the number of transactions on any particular day is a constant T, although the balances affected on a particular day are not necessarily the same. Assuming that some process of merging information into order is used on any one particular day, the time taken to sort the incoming information into balance order would be proportional to $T \log T$. This information would then have to be absorbed into the balances made up so far. The time taken to do this would be proportional to the number of balances N. The whole time can be expressed in terms of the formula:

$$kT \log T+pN$$

where p is less than 1.

Over a period of five days the total time taken would be just five times the formula given. If we adopt the alternative procedure of recording each day the T transactions that have taken place, after five days we shall have a list of $5\ T$ transactions. On each day the time taken to record these would have been proportional to T.

At the end of the week we wish to consult these records and extract from them the necessary balances; this consultation would take at most one run through all the $5\ T$ items of information. The success of this operation would, of course, depend on having enough convenient places to store all the N balances simultaneously whilst reading the tape. If this were possible, however, then the total time occupied in both writing into and consulting the records would be $10\ T$ which might well be less than $5\ (kT \log T+pN)$.

We may see how the time element enters by considering yet an alternative procedure in which the information is aggregated over the week, but is rearranged at the end of the week in balance order, and then asborbed into the existing running balances. In this case the total time taken to record the information and subsequently to consult it would be:

$$5\ kT \log 5\ T+qN$$

a formula which differs quite considerably from either of the other two. Whilst these formulae should not be taken as being strictly accurate for any machine, nevertheless they serve to demonstrate that both the method of recording and the time at which consultation is done is of the utmost importance in the total time taken to carry out the operations required.

Programming an Example

Let me revert now to the example discussed earlier involving stock recording. A typical incoming order might contain the name of the customer, and a list of quantities of required items, each specified by a catalogue number. For each order the computer might be required:

(1) to identify the customer in a list of bona fide customers and to raise a query if the name is not identifiable;

(2) to consult the stock record of each item and to raise a query should the amount demanded, if issued, cause stock to fall below a given minimum level;

(3) to amend the stock record if no action is required under (2) above;

(4) to supply the current price for each item and compute the total charge to the customer for the quantity demanded; and

(5) to print the invoice corresponding to each order, complete with charges per item and total charge to the customer.

From the point of view of technique, there are many ways in which such a set of operations could be carried out within a computer. I shall confine my remarks to the use of magnetic tape.

Operation (1) is straightforward. We may readily assume that the record of the customer is on a single reel of tape, each customer being uniquely identified by a combination (which may actually look like his name if printed out). Our problem is to determine whether or not the identification of the customer on every order is among those recorded. We may proceed in one of two ways. We may identify each customer individually or we may identify several, from successive orders at once. Using the former method we might proceed exactly as if we were looking up a name in a telephone book, using the first letter or group of letters to position the tape roughly and then conducting a more detailed search by direct comparison of identifying symbols. Using the method of aggregating customers' names before searching, we might first rearrange the names in alphabetical order (to correspond with the order used in the list) and then proceed through the list comparing symbols until all are identified.

The better method to use would depend on the characteristics of the tape mechanisms and upon the frequency with which orders are placed by questionable customers. Whilst the first method involves much tape movement between each invoice, this may not be objectionable if one tape can be searched independently of computer operation or of other tape movements. On the other hand, the advantages of the second method in economy of tape movements during consultation may be offset by the rearrangement of names required initially.

The choice of method outlined above also occurs in consideration of operation (2). We may suppose the stock items to be arranged in a list following catalogue sequence. Let us assume that an average order involves, say, ten items out of a total catalogue of about a million, and let us further suppose that the items on each order are arranged in catalogue sequence. If we follow our first procedure much tape movement will be required for each invoice, and only ten items will have been altered each time. However, an aggregation of orders, followed by rearrangement of items into catalogue sequence will cause difficulty if any item runs out of stock, since it is necessary to extract those orders which lead to this situation (by making excessive demands upon the stock), and to take appropriate action in respect of them. This will involve tracing all those orders affected by the running out of the stock of a particular item, and replacing or amending the entry referring to it in each such order. The problem of finding the orders required can be ameliorated by maintaining a suitable index, but the time involved in this offsets some of the advantage of aggregating the items.

To complete the programming, operation (3) can, of course, be combined with operation (2) in cases where no query is to be raised, and operation (4) can also be dealt with at the same time from a price attached to the stock record for each item. Operation (5) only involves the printing out of the results of the preceding operations and is, therefore, trivial in principle, although, since layout is usually controlled by the computer programme, the details may be tedious enough. From this it can readily be seen that the choice of method is not necessarily straightforward but that much of the work is quite simply dealt with by the computer.

Control and Management

In the preceding analysis of book-keeping by computer it has been assumed that all records can be stored and kept up to date within the computer system, and that the object of this has been to provide documents of original record or to supply information to management upon which no action is necessarily contemplated. In this role the justification for installing a computer would rely upon the probability that costs would thereby be reduced, or, alternatively, that a greater capacity of work could be handled at little increase in cost.

However, one of the additional advantages of computer operation is that, as a rule, more information can be provided more quickly than is possible with conventional methods. Furthermore, provided that suitable criteria can be constructed, the computer can recognize and analyse comparatively complicated situations and determine necessary action, according to the scheme set up for it. By arranging for it to control suitable equipment by its output it is therefore possible to apply a computer to direct control of manufacturing processes. This, however, is not the aspect with which I am concerned here, but rather with the question of how to set up and choose suitable criteria for carrying out the functions of control and management.

As examples I shall consider two different situations: one related to distribution of goods between users and the other to the efficient utilization of machinery in a factory. Each is a crude model of the situation concerned, but serves to illustrate the way one might set about the problem of reducing to quantitative form the problems confronting management, and thus attempt to take advantage of the facilities offered by computers.

Example 1: Distribution

Let us consider the operations of a firm with three factories, C, D and E supplying, possibly among others, two customers A and B, with, say, zither pluckers.

Customer A requires 10 per month, whilst B only requires 7. However, C, D and E can only supply a maximum of 20, 12 and 6 per month respectively. The cost of manufacture differs from place to place, and is in the ratio 1 : 2 : 3 between C, D and E, in that order. Cost of transport from factory to customer differs for each combination and thus the ratio of costs for CA, CB, DA, DB, EA, EB respectively is 4 : 3 : 3 : 1 : 2 : 1. The firm wishes to work out how to supply A and B for minimum overall cost.

To do this we first suppose that pluckers are supplied in unknown quantities x_1, x_2 from C; y_1, y_2 from D; and z_1, z_2 from E; the total going to A being $x_1+y_1+z_1$ and the total to B being $x_2+y_2+z_2$. We require to satisfy the demand of each customer and thus we have:

$$\left.\begin{aligned} x_1+y_1+z_1 &= 10 \\ x_2+y_2+z_2 &= 7 \end{aligned}\right\} \quad (1)$$

where all the x, y and z are integers greater than or equal to zero. We must, of course, further satisfy the maximum output rate of each factory, and thus we have also:

$$\left.\begin{aligned} x_1+x_2 &\leqq 20 \\ y_1+y_2 &\leqq 12 \\ z_1+z_2 &\leqq 6 \end{aligned}\right\} \quad (2)$$

Now let us assess the cost incurred by this distribution. Writing C_1 for unit cost of manufacture and C_2 for unit cost of transport we have that C, the total cost, is given by:

$$\begin{aligned} C = {} & C_1\,[4\,(x_1+x_2)+2\,(y_1+y_2)+3\,(z_1+z_2)] \\ & +C_2\,[4x_1+3x_2+3y_1+y_2+2z_1+z_2] \end{aligned} \quad (3)$$

We require to minimize C subject to the restraints imposed by the equalities of equations (1) and the inequalities of equations (2). This can be attacked mathematically by various techniques, and is usually referred to as a problem in 'linear programming' (see, for instance, *The Theory of Games and Linear Programming*, Vajda, 1956).

Such problems are not necessarily simple but, if a solution exists, it can be found by more or less tedious methods.

In the example given let us assume that $C_1 : C_2 = 2 : 1$. The equation (3) can be reduced to the form:

$$\begin{aligned} C' &= 6x_1+5x_2+7y_1+5y_2+8z_1+7z_2 \\ &= 60+y_1+2z_1+35+2z_2 \end{aligned}$$

using equation (1). A minimum of C′ will be found if $y_1 = z_1 = z_2 = 0$, supposing this to be allowed by the inequalities (2). Putting these values into (1) we obtain $x_1 = 10$, $x_2+y_2 = 7$, which is not inconsistent with the inequalities. Indeed a number of equally acceptable solutions exist with $x_2 = 0, 1, 2, 3, 4, 5, 6$ or 7 and y_2 being, correspondingly, 7, 6, 5, 4, 3, 2, 1 or 0.

We have been able to obtain these solutions by inspection because the case is a simple one, but obviously might not find it so easy for a more complicated distribution problem such as would be most likely to be encountered in practice. An obvious method of solution would be to explore all possible values of x, y and z consistent with equations (1), rejecting those values not permitted by the inequalities (2) and evaluating C for the remainder. Such a procedure would produce the required values. It would be tedious to carry out by hand computation, but would be quite suited to an electronic computer.

Example 2: Production

In a recent article in the *New Scientist* ('How time waste in industry can be remedied by electronic computers', Berners-Lee, 1957), Berners-Lee suggested that an analogy exists between production scheduling and the art of washing dishes. Let us then examine the procedure for washing up as if it were a three-stage production process. We may divide the operations required into washing, drying and putting away, and may draw up a table of relative times appropriate to each operation for a particular article. We thus arrive at Table I:

TABLE 1 – Showing timing of washing up operations for various articles

	Silver	Dishes plates saucers	Small jugs and cups	Glasses	Large jugs, tea-pots etc.	Frying pans and sauce-pans
Washing . .	1	3	2	2	3	8
Drying . .	1	0*	2	3	3	4
Putting away	2	0*	2	4†	2	1

* It is assumed that these are placed in a rack to dry.

† These have to be put away in the dining-room.

Now let us suppose that three people are to be employed in carrying out the work, and that *a* plates, *b* saucers and cups, *c* glasses, *d* knives, forks and spoons, *e* jugs and *f* saucepans require treatment.

We wish to choose a sequence of operation to minimize, say, the total waiting time of the workers consistent with the system outlined. Clearly this cannot be zero, since the dryer must wait whilst the washer deals with the first article, and the putter-away must delay operation until he has something to carry off. Nevertheless it is not difficult to perceive that the problem can be formulated as an exercise in linear programming and solved accordingly.

It is possible to carry the analogy still further by introducing suitable restraints corresponding to practical considerations. Thus we may impose the conditions that glasses always be washed first (so that the water has not become too dirty), that nothing may be left more than x units of time on the draining-board (or it becomes smeared and must be rewashed), that not more than y items may be on the draining-board at one time, and so on.

Furthermore, a study can also be made of the distribution of labour and solutions derived for, say, only two people working together. It is easy to see that the constraints introduced above can be formulated as mathematical expressions and used to eliminate solutions otherwise satisfactory. Once correctly formulated the problem of solution can, of course, be committed to the computer for a particular set of values of a to f.

The models discussed here and in the preceding section can, of course, be criticized as being too crude for practical usefulness, and it cannot be claimed that they would necessarily yield the best solution of a practical problem. At most one might hope that they would serve to reject bad solutions of the problem and to indicate in what direction the best solution should be sought. It is probably impracticable to solve a more complicated model of operations, even if such a model can be constructed, since it will almost certainly involve non-linear equations or inequalities. A better approach seems to be to discover more sophisticated criteria to apply to those solutions of the crude model not rejected by the processes put forward.

Stock Control

The earlier sections have been devoted to consideration of production and of transport problems involving efficient use of the resources available, subject to known physical restraints. The criteria used have either been based on minimum cost or minimum time given particular circumstances supposed known exactly. In controlling stock, it is almost always necessary to initiate ordering before stock has run out, and this operation must be based on a forecast of stock requirements. Supposing that the forecast is given, then the computer problem is reduced to that of ensuring that requirements are met, but at the same time keeping as little stock in hand as may be necessary. A model similar to that in one of the foregoing examples can be constructed and a solution produced.

However, the records of stock available, and of past transactions may well be available within the computer and these are the figures upon which a forecast is based. It would, therefore, appear worth while to attempt to use the computer to construct its own forecast and to solve the stock control problem for itself, printing out orders as required, together with invoices and any other requisite information. If it were possible to do this the computer could be said to be carrying out a function of management, rather than of book-keeping. In order to do this, however, it is essential to devise a procedure for forecasting requirements, and this cannot be done easily.

Primarily such a forecast must be based on a statistical analysis of previous transactions. Such an analysis is usually valid only for a large volume of data, and depends for its effectiveness on a correct choice of parameters. It may be expected to work well for stock lines for which the demand is both large and fairly constant.

For stocks in little demand or of a bulky nature, so that few can be stored, chance fluctuations are apt to be greater than the stock which can be held, and forecasts may often be wrong if based on figures for operations in previous years. Furthermore, if stocks ran out in preceding years, then the records available from those years will not reflect correctly the potential demand, since customers will not continue ordering an out-of-stock item once they know that it cannot be supplied. Nevertheless, a scientific approach to the problem may well enable reasonably accurate forecasts to be made without the aid of intuition. In cases where the forecasting is not likely to be accurate, then the machine forecast can be presented to management for inspection, together with any relevant information they require, and instructions can be given to the computer as to the action to take on ordering.

Conclusion

Management by exception in this way can relieve administrators of many routine operations, and it does not, of course, require the use of a computer. However, it does require a good deal of thought in setting up the procedures to be followed by the office or by the computer, particularly in deciding what is to be left to an automatic procedure and what is to be presented for inspection.

There has been much discussion in the past on whether machines can think or not. In giving an emphatic 'No' as answer to such a question, I would pose the question that each of us must ask himself, namely, 'How much of my thought can be mechanized?' I believe that the answer is 'Almost all of it'. The crux of the problem of using computers in control and management applications in business is to devise a practical procedure for reducing at least some of the thoughts of management to a form suitable for computation. Those who attempt it for themselves will, I think, find it a strenuous but stimulating exercise.

Weekly Notes

Inquiry on Training for the Profession

THE appointment of a committee, as referred to in the minutes of the meeting of the Council of The Institute of Chartered Accountants in England and Wales recorded elsewhere in this issue, to consider and make recommendations on the most appropriate forms of education and training for entrants to the profession is a move which will be welcomed by all members of the Institute, solicitous of its future standing. For reasons outlined in a leading article in the issue of this journal dated March 22nd of this year, the services of suitable young people are everywhere keenly in demand and, in order to secure its quota, the profession must make sure that its arrangements for recruitment and training are thoroughly attuned to modern conditions.

In its inquiry, the Institute is most fortunate in having available as chairman of the new committee, Mr W. E. Parker, C.B.E., F.C.A., whose address to the 1957 summer course at Oxford on the subject of 'Training for the profession', was an inspiration.[1] Under his leadership, it seems certain that the various submissions of evidence from professional, educational and commercial and industrial sources will be thoroughly sifted and used to the best advantage to produce a report of marked significance and subsequent influence.

Mr A. S. H. Dicker Retires from the Council of the Institute

THE resignation of Mr A. S. H. Dicker, M.B.E., F.C.A., from the Council of The Institute of Chartered Accountants in England and Wales was received with much regret at the meeting of the Council held on August 6th, and reported elsewhere in this issue.

Mr Dicker, who is a partner in the firm of Lovewell, Blake & Co, Chartered Accountants, of Norwich, Great Yarmouth and Lowestoft, became a member of the Council in October 1939, and served as Vice-President of the Institute in 1955–56, and as President in 1956–57.

He was a member of the Disciplinary Committee, the District Societies Committee, of which he was vice-chairman from 1953–55, the Examination Committee, the Finance Committee – being vice-chairman in 1947–49 and chairman in 1950–52 – and the Summer Course Committee. He served as one of the Institute's representatives on the Accountants' Co-ordination Committee and was a group leader at the Institute's summer course at Oxford for three years.

Mr Dicker is a founder-member of the East Anglian Society of Chartered Accountants, which was formed in 1934, and acted as honorary secretary from 1934–1940. He was president of the Society in 1947 and was also president in 1955, the year of the Society's twenty-first anniversary.

He has been a member of several committees appointed by the Minister of Agriculture, and from 1950 to 1953 he was a nominee of the Minister of Agriculture on the executive committee of the Land Settlement Association. He has also served as a member of the Civil Service Commission for interviewing accountants for permanent appointments in the Civil Service and as a part-time member of the Eastern Gas Board.

Mr Dicker has been a member of the Panel of Judges for *The Accountant* Annual Awards for company reports and accounts since January of this year.

New Member of the Council

MR GARFIELD GUSTAVUS GEORGE GOULT, F.C.A., has been elected a member of the Council of the Institute in the place of Mr Dicker. Mr Goult is the senior partner in the East Anglian firm of Ensor, Son & Goult, Chartered Accountants, which was established some seventy-five years ago and has its head office in Ipswich.

Educated at Culford School, he left in 1917 to join the ranks of the Inns of Court O.T.C. He was subsequently commissioned as an officer in the Territorial Army and was on active service in France towards the end of the 1914–18 war.

After the war, he served articles with his present firm and was admitted an Associate of the Institute in 1923. He was elected to Fellowship in 1936.

Mr Goult has been President of the East Anglian Society of Chartered Accountants on two occasions, first during the war period from 1939 to 1945, and again in 1953. He has been a member of the Taxation and Research Committee since its inception in 1942, and during that time was chairman of the taxation subcommittee for a period of three years from 1947–48 to 1949–50, and later in 1952–53 became chairman of the main committee.

His principal recreation is golf and he has been captain of the Ipswich Golf Club at Purdis Heath.

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[1] Reproduced in *The Accountant*, July 27th, 1957, *et seq.*

Cost Accountants' Examinations

IN the June 1958 examinations of The Institute of Cost and Works Accountants there were 105 candidates for the management accounting fellowship examination, of whom fifteen were successful, the Lewton Coronation Prize in management accountancy being awarded to Mr Ralph David Haxby, of Renfrew, and the Beyer Peacock Prize to Mr John Robinson Potts, A.C.A., of Staines.

A total of 1,632 candidates sat for the whole or part of the Final examination, 280 passing the complete examination, 81 Part A only, and 225 Part B only; the remaining 1,046 candidates failed. Mr John Herbert Miles, of Stoke-on-Trent, gained the first place and has been awarded the S. Laurence Gill Prize. The Donald L. Moran Prize (management – factory and distribution) was won by Mr Lionel Gregory, of London, and the Leverhulme Prize for cost accountancy by Mr Francis Watson Kean, of Glasgow.

In the Intermediate examination there were 3,796 candidates, of whom 113 passed Parts I and II; 685 passed Part I and 547 passed Part II; 2,451 candidates failed. The George Russell Memorial Prize for first place was awarded to Mr Edmund Alan McGill, of Barnstaple.

A summary of the results, together with the names of the successful candidates in the Fellowship examination, and of those who completed the Final, appear elsewhere in this issue.

Higher Status for E.C.G.D.

THE committee set up a year ago under the chairmanship of Sir Eric Speed to consider the suitability of the organization and status of the Export Credits Guarantee Department, and on which Mr Bertram Nelson, C.B.E., F.C.A., a member of the Council of the Institute, has served as a member, has made its report to the Government.

The committee was largely concerned with detailed matters of organization of the Department; its report is not to be published but a number of its recommendations are to be adopted. In view of the great expansion in the Department's responsibilities over the past twelve years and its importance to the export trade, its status in the hierarchy of Government departments is to be raised and its senior cadre increased. There will be a Secretary of the Department and two posts of Under-Secretary. The new office of Secretary will be filled by Mr L. J. Menzies, one of the advisers to the Governors of the Bank of England, who is to be seconded for a period of two to three years; he will be responsible directly to the President of the Board of Trade.

The main question which the committee considered and which has been accepted, was whether Government export credit insurance should be conducted through a statutory public corporation, as it is in some other countries, or by a Government Department. They came to the conclusion that this work should continue to be carried out by a Government Department – because of its use of public funds, its relation to the broader aspects of economic policy, and its dependence on information from Government sources.

Stock Exchange Membership Qualifications

WHEN Robert Louis Stevenson said that politics was perhaps the only profession for which no preparation was thought necessary he must have forgotten stockbroking. The claim of the latter to the status of a profession is based on the possession of an ethical code, a ban on the advertising of services and the existence of a 'practitioner-client' relationship. What, in common with politics, it does not have is a prescribed standard of education for its members. This may be altered if the Members' and Clerks' Committee of the Stock Exchange Council approves a report – which it is now studying – of the Planning Committee recommending the raising ('introduction' would be a more appropriate word) of the qualifications required for the admission of broker members and clerks and for attaches and registered clerks.

In an article in the summer issue of the *Stock Exchange Journal*, Mr F. A. A. Menzler, C.B.E., B.SC., F.I.A., supports the suggestion that 'specific standards of professional competence' should be set up for those who aspire to a career in the Stock Exchange. That there is a need for such a move is clearly instanced by the fact that ever-increasing numbers of actuaries, accountants and economics graduates become partners or find employment in stockbroking firms. Some larger firms have 'half a dozen or more chartered accountants or graduate economists' on the strength, either as partners or as 'back-room boys'. Fourteen firms employ actuaries because of their specialized knowledge in investment trends.

The Stock Exchange claims that it performs a responsible role in the country's business and economic activities. This is already accepted by all who know how it works, but its insistence that all its members should attain a definite educational level, albeit specialized to accord with the duties they have to perform, would disarm many of its present critics who regard the House as an exclusive club rather than as an important influence for the common good of the community.

Manufacturers' Stocks

THE latest figures for manufacturers' stocks and work in progress, covering the first quarter of 1958, suggest that the downward trend of stocks, which began last October, has continued. In the first quarter of this year, there was actually a small rise of 0·6 per cent in the total value of stocks and work in progress, but there is normally a seasonal increase of between 3 and 4 per cent in the first quarter of the year. The increases in value of work in progress and of finished stocks (about 2½ per cent and 5 per cent respectively) were only slightly less than in the first quarter of 1957. Stocks of materials and fuel, however, fell by 3½ per cent this year compared with a rise of about 3½ per cent in 1957.

The overall increase of 0·6 per cent masks differing trends in the various industry groups. While stocks of food, drink and tobacco rose by 5·4 per cent and of the metal manufacturing, engineering, shipbuilding and vehicle industries by 0·8 per cent, those of textiles, leather and clothing fell by 2·2 per cent and of other industries by 1·7 per cent. In the first quarter of 1957, however, all groups showed an increase and in the current year no group showed an increase larger than in 1957.

The falling trend in the value of stocks since last October appears to have been due mainly to reductions in commodity prices rather than to a decline in physical stocks held. According to the Board of Trade, there was, for example, a reduction of 11 per cent during the first quarter of 1958 in the aggregate value of recorded stocks of industrial materials held outside manufacturing industry (i.e. by importers and merchants, and Government strategic and trading stocks). At constant prices, however, it is estimated that the fall was only 7 per cent.

Finance and Commerce

E.S.A. Accounts

SHAREHOLDERS in The Educational Supply Association Ltd are given an eight-hundred word explanation about 'How to read the group accounts'. A special effort has been made to tell members all they ought to know about their company in an interesting and easily-read form. The introduction states that here is 'a story which has to be told mainly in figures and whose contents are dictated to a great extent by legal requirements. Nevertheless, it is a story full of interest. Therefore to those of our members who find figures difficult, the following notes are offered in the hope that they will help towards a better understanding of the accounts'.

What follows is a really useful explanation of the build-up of the accounts couched in simple terms. Shareholders are reminded that it is not possible to have a simple balance sheet in summarized form which also complies with all legal requirements. Therefore such extra information as may be required by law, or considered desirable by the directors, is shown in the notes. And the notes are given adjacent to the accounts to which they refer.

We notice among the items added to total shareholders' funds, to give the total of capital employed, one relating to acceptance credits (secured by a debenture) which one more often sees within current liabilities. The item is explained as a 'form of loan repayable at fairly short notice but included in capital employed because it is a regular part of the finances'. Our reprint this week is from the E.S.A. accounts.

For Employees

Employees of the company are brought into the picture with a special report, which is one of the best of its kind we have seen. The value of 'reports for the workers' is often criticized on the grounds of whether the employee puts anything more into his work as a result of knowing 'where the money came from' or 'how the money went' – or at least being told.

Inevitably there must be a hard core of employees who will treat with suspicion any attempt by management to explain the financial workings of their company, but that does not mean that the attempt is not worth making. Not all the ground is stoney and some of the explanatory seed must take root. What should be recognized by the critics is that a special annual report for employees is purely part of management-employee relationships and not the be all and end all of the matter.

Harrods (B.A.)

WE were interested to see a notice in the Press to the effect that compulsory powers will not be used to bring into the Harrods (Buenos Aires) Group the remaining small minority shareholders in South American Stores (Gath & Chaves), Ltd. Admittedly, the Companies Act lays minority holders open to compulsory acquisition but this particular case hardly seemed to fit the circumstances provided for in the Act.

The facts were set out in our issue of April 26th and a letter from the secretary of the company appeared in the issue of May 3rd. Harrods (Buenos Aires), through a wholly-owned subsidiary, South American Stores (Holdings), held approximately 99 per cent of the shares in South American Stores (Gath & Chaves). Another Harrods (B.A.) wholly-owned subsidiary, South Atlantis Ltd, made an offer for the Gath & Chaves shares at a price agreed between the two subsidiaries which, as one would expect, was accepted by the majority holder. Minority holders were informed that the powers under the Act would be used in cases of non-acceptance.

The point involved is obvious. Equally obvious is the relief which will be felt among those affected that the matter has not been taken to its legal conclusion.

Courtaulds

SHAREHOLDERS in Courtaulds Ltd have been warned to expect lower profits for the current year to March 1959. The hoped-for improvement in demand for textile products, said Sir John Hanbury-Williams, the chairman, at the annual meeting, has not yet materialized. Short-time working has been introduced and group profits before tax for the first quarter were on a 'somewhat lower level' than in the first quarter of the previous year.

The directors are hoping to see some improvement in the autumn, but even if it comes it seems unlikely

The Educational Supply Association Limited and Subsidiary Companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1958

	1958 £	1958 £	1957 £	1957 £
Profit of the Company and its subsidiaries arising from manufacturing and trading activities, after charging the undermentioned expenses, and £8,250 against the Reserve for Maintenance of Premises and Plant		204,183		*137,936*

	1958 £	*1957* £
Interest on debentures of a Canadian subsidiary and on acceptance credits	7,374	*7,594*
Bank interest and charges	13,856	*17,667*
Depreciation and amounts written off fixed assets	32,333	*30,279*
Emoluments of directors of the parent company		
Directors' fees	3,667	*3,480*
Executive services (including £6,303 for the provision of executive directors' retirement pensions)	22,005	*9,705*
Compensation paid to two directors for termination of their executive offices	3,983	—
Fees and expenses of the auditors of the parent company	1,100	*900*
Loss on sale of investments of a Canadian subsidiary	370	—
Expenses of reorganisation and issue of Share Capital	2,875	—
	£87,563	*£69,625*

	1958 £	1958 £	1957 £	1957 £
Income from investments of a Canadian subsidiary		137		—
		204,320		*137,936*
Transfer to Employees' Security Account (see Chairman's Statement)		20,000		—
		184,320		*137,936*
Deduct: Taxation on profits for the year:				
Profits Tax	18,316		*11,699*	
Income Tax (including Overseas Income Tax – £4,997)	84,572	102,888	*61,001*	*72,700*
Net profit after transfer to Employees' Security Account and after taxation		**81,432**		***65,326***
Add: Provisions for taxation in previous years no longer required		1,397		*4,526*
		82,829		*69,762*
Deduct: Profits retained by the subsidiary companies		15,100		—
Profit dealt with in the Accounts of the parent company		67,729		*69,762*
Deduct: Dividends, less Income Tax, for the year to date:				
On Preference Shares, before reorganisation	3,450		*3,450*	
Proposed Ordinary Dividend of 2s. per share (10 per cent on Capital as increased to £400,000), less Income Tax	23,000	26,450	*12,147*	*15,597*
Balance of profit retained by the parent company		41,279		*54,165*
Add: Balance at 31st March 1957, brought forward		14,551		*15,636*
		55,830		*69,801*
Deduct: Goodwill of a business purchased during the year, written off	20,000		—	
Allocations: General Reserve	14,051		*7,000*	
Reserves for Maintenance of Premises and Plant	—		*8,250*	
Reserve for Contingencies	—	34,051	*40,000*	*55,250*
Balance carried forward		21,779		*14,551*
Balances of subsidiary companies, carried forward		15,706		*606*
		£37,485		*£15,157*

Note to the Consolidated Profit and Loss Account

PERIOD COVERED BY THE ACCOUNTS

The above figures include those of one Canadian subsidiary for nine months to 31st December 1957 and of a further subsidiary acquired during the year from the date of acquisition to 31st December 1957. In the case of both companies, the directors consider that the accounting dates of these companies should not coincide with that of the parent company because of the seasonal nature of their activities.

The Educational Supply Association Limited and its Subsidiary Companies

CONSOLIDATED BALANCE SHEET at 31st March 1958

	1958	1957
Capital Employed	£	£
1 Share Capital of the Parent Company	537,500	269,000
2 Capital and Revenue Reserves	332,492	438,644
Total Shareholders' Funds	869,992	707,644
3 Debentures of a Canadian Subsidiary	46,583	—
4 Acceptance Credits (Secured by a debenture)	75,000	75,000
5 Employees' Security Account	45,000	25,000
6 Income Tax, due on 1st January 1959	87,000	68,000
	£1,123,575	£875,644
Employment of Capital	£	£
7 Current Assets:		
Stocks and Work-in-Progress, as valued by the Group's Officials	813,651	643,780
Debtors, less provisions, and Unexpired Payments	702,255	582,165
Quoted Investments of a Canadian Subsidiary (Market value – £2,991)	1,381	—
Bank Balances	34,692	16,264
	1,551,979	1,242,209
8 *Deduct:* Current Liabilities		
Creditors, Bills Payable, Accrued Charges and Unclaimed Dividends	582,281	496,064
Balance owing on Purchase of Business (Secured)	20,700	—
Bank Loan of a Canadian Subsidiary (Secured)	12,590	—
Bank Overdraft (Secured by a debenture – £69,925)	91,553	105,193
Taxation	35,569	20,378
Proposed Ordinary Dividend of the Parent Company (Net)	23,000	12,147
	765,693	633,782
Current Assets less Current Liabilities	786,286	608,427
9 Leasehold Redemption Sinking Fund Policy (Surrender Value)	3,705	3,486
10 Fixed Assets	333,583	263,730
11 Goodwill of Parent Company	1	1
	£1,123,575	£875,644

Directors: S. H. GILLETT
L. B. DYBALL

Schedules and Notes to Consolidated Balance Sheet

	1958 Authorised £	1958 Issued £	1957 Issued £
1 SHARE CAPITAL OF THE PARENT COMPANY			
5 per cent Cumulative Preference Shares of £1 each, fully paid	Eliminated on Capital reorganisation		50,000
7 per cent Cumulative Second Preference Shares of £1 each, fully paid			50,000
7 per cent Cumulative Preference Shares of £1 each, fully paid (after Capital reorganisation of 27th March 1958)	200,000	137,500	—
Ordinary Shares of £1 each, fully paid (after Capital reorganisation of 27th March 1958)	600,000	400,000	169,000
	£800,000	£537,500	£269,000

2 CAPITAL AND REVENUE RESERVES			
6 per cent Redeemable Cumulative Preference Shares Redemption Fund	50,000		50,000
Leasehold Redemption Sinking Fund	3,705		3,486
Share Premium Account	31,000		—
Other Capital Reserves	165,449		165,449
	250,154		
Less: Amount Capitalised by issue of fully paid Shares	115,449		
		134,705	218,935
Adjustments arising on Consolidation			
Excess of book value of the net tangible assets of a Canadian Subsidiary at date of acquisition over the Cost of Shares	72,000		—
Excess cost of Shares in a UK Subsidiary over the book value of its net tangible assets	1,698		
		70,302	1,698
Total Capital Reserves		£205,007	£217,237
General Reserve, at 31st March 1957	158,000		
Less: Amount capitalised by issue of fully paid Shares	122,051		
	35,949		
Add: Allocation from Profit and Loss Account	14,051		
		50,000	158,000
Profit and Loss Account Balances carried forward		37,485	15,157
Reserve for Maintenance of Premises and Plant, at 31st March 1957	8,250		
Less: Expenditure charged during the year	8,250		
		—	8,250
Reserve for Contingencies		40,000	40,000
Total Revenue Reserves		£127,485	£221,407
		£332,492	£438,644

3 DEBENTURES		
6½ per cent Debentures in a Canadian Subsidiary repayable in ten equal annual instalments of $12,950.00 each commencing 15th October 1958	£46,583	—
5 EMPLOYEES' SECURITY ACCOUNT (formerly Staff Pension Reserve), at 31st March 1957	25,000	25,000
Add: Transfer from Profit and Loss Account	20,000	—
	£45,000	£25,000
7 DEBTORS, LESS PROVISIONS, AND UNEXPIRED PAYMENTS		
These include:		
Difference on Inter-Company Indebtedness due to different accounting dates	£451	—

10 FIXED ASSETS	1958 Gross Book Value	1958 Amounts written off	1958 Net Book Value	1957 Net Book Value
Freehold Land and Buildings (Director's valuation in 1935 plus additions since at cost less sale)	128,975	4,245	124,730	107,703
Expenditure on Leased Premises	25,840	2,314	23,526	14,347
Plant, Fixtures and Vehicles (Director's valuation in 1935 plus additions since at cost less sales)	411,111	225,784	185,327	141,680
	£565,926	£232,343	£333,583	£263,730
At 31st March 1957	£479,010	£215,280	£263,730	

(*a*) Contracts for Capital Expenditure not provided for in the Group Accounts amount approximately to £44,000 (1957 – £11,000).

(*b*) The Assets and Liabilities of the two Canadian subsidiaries have been converted at the rate of exchange that group profits for the year as a whole will be maintained.

Sir John was speaking to shareholders little more than a fortnight after the close of the first quarter of the company's year and quite understandably dealt with the position in general terms. But we do suggest that as the half-year end approaches, consideration should be given to issuing something more specific.

The company has followed the advance in accounting practice to the extent of a statement at the half-year which, however, is limited in value by being confined to words. The board must surely have figures available and the publication of a short half-year profit statement in figures should be possible.

In One Direction

SIR WILLIAM CASH, F.C.A., chairman of The Neuchatel Asphalte Company Ltd, draws attention this year to the increased proportion of the profits taken by taxation. Stockholders, he says, will have become accustomed to seeing a deduction for taxation of not far short of the profits brought in. But this year the percentage is even higher. The actual profit shown before tax is £327,451 against £280,827 and taxation, at home and abroad, £304,676 against £135,766.

Sir William points out that the rates of tax and bases of assessment are as diverse as the source of the group profits themselves. Figures of profits on which tax provisions were based were often very different from those brought into the financial accounts, and this was particularly true in the case of new companies in their first year of trading and of companies ceasing to trade.

It was common to find within their group of companies, said Sir William, several such factors disturbing to a direct comparison of the ratio of tax to profits, but not infrequently they tended to cancel out in consolidation.

In this year's accounts, however, they operated mainly in one direction. In addition there were some substantial changes in tax overseas.

Next Week's Reprint

The accounts of Patons & Baldwins Ltd will provide the reprint in next week's issue.

CITY NOTES

HOPES of lower interest rates and an investment tendency to look beyond the uncertainties of the next few months, have combined to give the stock-markets outward strength and a definitely firm undertone.

Short term interest rates have strongly developed the downtrend interrupted by the developments in Iraq and the view is taken that Government action in the credit sphere, within the broad policy of re-expansion, will be sufficient enough to offset any delayed repercussions of the American recession.

Industrial evidence from the United States shows that the recession there has levelled out and, even though business is slow to re-expand it does appear to be moving in the right direction.

A review of certain sections of the heavy industries showing, in some instances, a considerable current excess of productive capacity has not apparently deterred investors from re-entering the industrial equity market and the 'institutions' are currently recognized as sizeable buyers.

Meanwhile, buying of 'consumption' shares – food, radio, television, property and hire-purchase issues – continues strongly and the further expansion of the big banks into the hire-purchase finance field has maintained interest at a high pitch.

The Midland Bank has followed National Provincial's policy of acquiring an outright interest in a hire-purchase finance company rather than operating on the investment lines adopted by Barclays, Westminster and Martins. Developments suggest that the movement of the joint-stock and private banks into this financing sphere has still some way to go. Two private banks have linked with Olds Discount and others may contemplate similar moves.

RATES AND PRICES

Closing prices, Wednesday, August 13th, 1958

Bank Rate

Jan. 27, 1955	3½%	Sept. 19, 1957	7%
Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19th, 1958	5%

Treasury Bills

June 6	£4 14*s* 5·72*d*%	July 11	£4 0*s* 3·79*d*%
June 13	£4 10*s* 1·77*d*%	July 18	£4 4*s* 11·39*d*%
June 20	£4 5*s* 9·63*d*%	July 25	£4 3*s* 2·26*d*%
June 27	£4 5*s* 10·67*d*%	Aug. 1	£4 0*s* 2·49*d*%
July 4	£4 3*s* 5·23*d*%	Aug. 8	£3 17*s* 3·63*d*%

Money Rates

Day to day	3¼–4%	*Bank Bills*	
7 days	3½–3⅞%	2 months	4–4¹⁄₁₆%
Fine Trade Bills		3 months	4–4¹⁄₁₆%
3 months	5–5¾%	4 months	4–4¹⁄₁₆%
4 months	5–5¾%	6 months	4–4⅛%
6 months	5¼–6%		

Foreign Exchanges

New York	2·80½–⁹⁄₁₆	Frankfurt	11·68¾–⅞
Montreal	2·69¹¹⁄₁₆–⅞	Milan	1737¾–8
Amsterdam	10·56⅛–⅜	Oslo	19·99⅝–⅞
Brussels	138·97½–139	Paris	1173⅜–¾
Copenhagen	19·32⅝–⅞	Zurich	12·20½–⅝

Gilt-edged

Consols 2½%	51⁹⁄₁₆	Funding 4% 60–90	88⅛
Consols 4%	75⅜	Savings 2½% 64–67	81¾
War Loan 3½%	68½	Savings 3% 55–65	89x.d.
Conversion 3½%	68¹¹⁄₁₆	Savings 3% 60–70	78³⁄₁₆x.d.
Conv'sion 3½% 1969	85⅜	Savings 3% 65–75	72¹¹⁄₁₆x.d.
Exc'quer 5½% 1966	100¹¹⁄₁₆xd	Treasury 2½%	51¹⁄₁₆
Funding 3% 66–68	82⁷⁄₁₆	Treasury 3½% 77–80	76⁹⁄₁₆
Funding 3% 59–69	81¹¹⁄₁₆	Treas'ry 3½% 79–81	75⁹⁄₁₆xd
Funding 3½% 99–04	73½	Victory 4%	92⅝x.d.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Electronic Accounting

SIR, – Further to Mr R. V. Olsen's extremely interesting letter in your issue of August 9th, it would seem that Mr Olsen has not fully appreciated certain of the advantages which can arise from the installation of E.D.P.

In speaking of the accumulations of paper work which businesses today have to face, it must be realized that 90 per cent of this paper work is routine statements which provide management with the information that their accounting process and business organization is proceeding satisfactorily. The other 10 per cent provide knowledge essential to them for the running of their business and information about unsatisfactory matters which require their attention, such as overdue accounts etc. As management has to wade through all the papers to find these points of importance they are unable, through lack of suitable staff and time, to look at other matters within their businesses which could be of use to them.

If a proper, fully integrated E.D.P. system is installed it can be arranged that management's attention is only drawn to the 10 per cent of paper work which is of importance. The other 90 per cent of their business organization can be done completely out of sight and safely, in the knowledge that if the machine does not inform them that it is wrong it is bound to be right. With this saving in time through not having to check everything that is proceeding satisfactorily management can turn to other matters of interest within their organizations.

Yours faithfully,
Hove, Sussex. J. W. MITCHELL, A.C.A.

Sales Requirements

SIR, – In his letter (August 9th issue), Mr M. C. Ashworth answers the first point that I raised about his article (July 5th issue), but I suggest that the following would express his thoughts more effectively:

> 'Clearly, by manufacturing and selling one more of an article, the *total* fixed overhead charges of the company are unaltered and so the total profit will increase by the difference between the selling price of the article and the *marginal* direct (or variable) cost of producing the article.'

As regards the second point that I raised, Mr Ashworth fails to give a satisfactory explanation as to the reasons for transposing the annual sales volume curve in his first diagram on to his second diagram and for renaming it a variable costs curve, nor does he offer an opinion as to whether average variable cost can be shown by a straight line drawn vertical to his selling price axis in his first diagram.

The transposition of the annual sales volume curve in Mr Ashworth's first diagram on to his second diagram and his renaming it a variable costs curve are incorrect for the following reasons:

(1) Total variable costs in the second diagram must be shown by an upward rising straight line passing through the intersection of the axes.

(2) The annual sales volume curve in the first diagram is already represented in the second diagram by the revenue curve.

(3) Any attempt to represent the variable costs curve of the second diagram on the first diagram would not result in a very satisfactory description of a constant average variable cost, to say the least of it.

Yours faithfully,
P. L. GRIFFITHS.
Parkgate, Cheshire.

Schedule A Concession on New Assessments

SIR, – Having read Mr T. J. Sophian's article on property-owning companies in your issue of July 26th, I thought it might be of interest to mention that it seems the rule in *Davies v. Abbott* is no longer being applied. In a case where an addition was previously made in the Schedule A computation for the annual equivalent of premiums paid by tenants, an Inspector of Taxes recently informed us that for 1957–58 and subsequent years this practice is no longer being followed in the case of property let in flats.

Yours faithfully,
London, EC2. D. S. LEWIS.

[Mr T. J. Sophian writes: I am much obliged to your correspondent for his comments on *Davies v. Abbott*. Although that case is still good law, its application has been suspended for all practical purposes in connection with new assessments to Schedule A made after March 1956. The suspension is due to the concession which has been granted since the 1956 Budget. The concession is aimed at preventing unfairness in assessments between old and new properties. The former are still assessed at pre-1956 values, some of which may even go back to before the war, and it was felt that if new assessments were made on the basis of post-April 1956 values, owner-occupiers who were newly assessed would bear a higher burden of tax. The concession is extended also to rented properties, where the letting is at a low rent for a premium, and also to lettings of parts of a building, where the occupier of the part will now be assessed, instead of the owner of the whole building, pursuant to Section 18 of the Finance Act, 1957, which was passed to meet the decision in *Gatehouse v. Vise*. The concession applies to various classes of property, and is not limited to dwelling-houses.]

Res Nullius

SIR, – In your issue of August 9th, Mr J. C. S. Connell, asks for readers' views on what he describes as the moral problem of the stigma of employers holding and using employees' P.A.Y.E. deductions during the period of time before these moneys have to be handed over to the Inland Revenue.

These moneys which the employer holds can really be said to belong to the Government, and while the employer receives this benefit from the Government, on the other hand he has to perform on behalf of the Government the not inconsiderable clerical and other work involved in making the P.A.Y.E. deductions. Perhaps further consideration of this fact will enable Mr Connell to have a clear conscience and to sleep in peace.

Yours faithfully,
DEREK E. COX.
London, SE21.

SIR, – Your correspondent, Mr J. C. S. Connell, (August 9th issue), in stating his 'slight moral problem' appears to have overlooked the costs incurred by employers when acting as unpaid tax collectors.

In my opinion employers should be allowed to retain a percentage of all moneys collected by them under P.A.Y.E., or alternatively, so as to avoid over-enthusiastic tax collection, the Inland Revenue should make an annual grant to each employer based upon the number of employees on his pay-roll as a contribution to the cost incurred and in compensation for the badwill generated through carrying out this unpopular but necessary task.

Yours faithfully,
Bracknell, Berks. J. C. BAYLEY.

Audit Policy Point

SIR, – I would be glad of the assistance of your more experienced readers on a problem which is causing me some concern. Their advice and criticism would be equally welcome.

I am auditor to a large undertaking which has several chartered accountants carrying out specialist functions in the accounts department, but all are under the control and responsibility of the head of that department. In the course of the audit I am in close touch with those specialists whom I have found, generally speaking, to be helpful and co-operative at all times, with one exception. This man was in charge of an important branch of the department from the audit viewpoint but he was not very approachable and regarded the auditor and his staff as a necessary evil and something of a nuisance. Vouchers and explanations were provided with some difficulty and delay and some of his procedures were not the usual ones found in the general run of business. In my report on the audit to the head of the accounts department, I criticized in particular the methods employed in this branch under a number of headings. The man concerned was, I understand, reprimanded by his boss as a result of which he has asked to see me about the matters in my report.

The matters criticized came to light in the course of the audit as a result of the examination of the records by myself or by my staff who discussed their problems with me. I did not, for one reason or another at the time, discuss them with the man in charge of the branch. It now transpires that my criticism was to some extent overstated and that on two of the points I had been misled as to the facts by my staff.

I do not feel that it is a matter which I should discuss with the man concerned. My report was to the head of the department and if any action was to be taken it should be taken by him. If he is satisfied with the accounting methods in that branch, then no further action is necessary. My criticisms were stated in general terms more by way of indicating what I considered to be weaknesses in the system rather than a critical analysis of it.

Yours truly,
LAOCOON.

Trustee Status

SIR, – Section 54 of the Local Government Act, 1958, which received the Royal Assent on July 23rd, extends the powers of trustees to invest trust funds so as to include the lending of money to, or the purchase of securities created by, local authorities and certain other bodies in the United Kingdom.

This extension will particularly benefit county councils, many of which have been handicapped in their efforts to raise loans as a consequence of an anomaly in the law which virtually precluded them from the trustee status already enjoyed by numerous other local authorities.

It is to be hoped that this change in the law will receive due publicity, as trustees will no doubt wish to take advantage of the much wider field of investment now made available to them.

Yours faithfully,
R. H. A. CHISHOLM, F.I.M.T.A.
County Hall, *Hon. Secretary,*
Chester. SOCIETY OF COUNTY TREASURERS.

Top People

SIR, – We observed the following quotation in the July 26th number of *South Africa* under the heading of 'The Things They Say':

> 'It is the chartered accountants who really run a country. – Mr Chapman, Chairman, African Assurance and Provident Corporation, Rhodesia.'

Yours faithfully,
D. H. UPCOTT,
Secretary,
London, EC2. DOMINION SHIPPERS LTD.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, August 6th, 1958, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr W. L. Barrows, President, in the chair; Mr C. U. Peat, M.C., Vice-President; Messrs J. Ainsworth, M.B.E., E. Baldry, O.B.E., C. P. Barrowcliff, T. A. Hamilton Baynes, J. Blakey, W. G. Campbell, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, G. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, J. Godfrey, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., T.D., Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, P. V. Roberts, G. F. Saunders, K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, G. L. C. Touche, A. D. Walker, V. Walton, M. Wheatley Jones, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Resignation from the Council

The Council received with much regret the resignation of Mr Arthur Seymour Hamilton Dicker, M.B.E., F.C.A., Norwich, of his membership of the Council. Mr Dicker had been a member of the Council since 1939 and was President for the year 1956–57.

Election to the Council

Mr Garfield Gustavus George Goult, F.C.A., Ipswich, was elected a member of the Council to fill the vacancy caused by the resignation of Mr Arthur Seymour Hamilton Dicker, M.B.E., F.C.A.

Examination Results – May 1958

The examination committee reported the results of the examinations held in May 1958 as follows:

	Passed	*Failed*	*Total*
Preliminary	61	138	199
Intermediate	653	739	1,392
Final	496	532	1,028
	1,210	1,409	2,619

The following prizes and certificates of merit were awarded:

INTERMEDIATE

First Certificate of Merit, the Institute Prize and the Robert Fletcher Prize
D. J. Williams (C. G. Jolliffe), Newport, Mon.

Second Certificate of Merit, the Frederick Whinney Prize (shared with one other) and the Plender Prize for the paper on Book-keeping and Accounts (*Partnership*)
R. J. Clark (B. C. Cornes), London.

Third Certificate of Merit, the Tom Walton Prize and the Frederick Whinney Prize (shared with another)
P. W. Lacey (S. Fawcett), Salisbu

Fourth Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize
A. G. J. Keat (D. A. Huggons), Hove.

Fifth Certificate of Merit
D. P. L. Davies (R. H. Martin), Cardiff.

Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)
M. Duffitt (R. W. Lloyd), London.

Plender Prize for the paper on Book-keeping and Accounts (Executorship)
P. E. Collins (H. J. Williams), London.

Plender Prize for the paper on Taxation and Cost Accounting
N. F. Lewis (J. Green), London.

Plender Prize for the paper on Auditing
R. Badger (D. Horrocks), Liverpool.

Plender Prize for the paper on General Commercial Knowledge
N. H. Collins (R. E. Collins), Cardiff.

FINAL

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Frederick Whinney Prize
T. G. R. Lawrence (B. J. Davis), London.

Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prizes for the papers on Advanced Accounting (Part I) and English Law (Part II)
A. J. Donovan (H. Darrell), Croydon.

Third Certificate of Merit and the Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting
L. W. Green (C. Halpern), London.

Fourth Certificate of Merit
J. T. Jones (F. H. Walsh), Burnley.

Fifth Certificate of Merit
R. D. Smith-Wright (S. W. Penwill), London.

Sixth Certificate of Merit
C. F. M. Rawlinson (A. E. Limehouse), Rugby.

Seventh Certificate of Merit
J. Abbott (J. G. Simpkins), Exeter.

Eighth Certificate of Merit
A. J. Gooch (G. H. Martin), London.

William Quilter Prize and the Plender Prizes for the papers on Taxation and Auditing
A. J. K. Woodhead (C. Couchman), London.

Plender Prize for the paper on Advanced Accounting (Part II)
B. Gillitt (J. R. Mead), Coventry.

Plender Prize for the paper on English Law (Part I)
J. B. Humphreys (T. O. Brennan), London.

Also reported were the results of the examinations conducted by the Institute as examinations of The Society of Incorporated Accountants:

	Passed	*Failed*	*Total*
Intermediate	233	270	503
Final – Parts I and II together	6	8	14*
Part I only	169	204	373
Part II only	281	149	430
South African Special Final	10	20	40

*In addition, two candidates who sat for both parts passed in Part I only and eight such candidates passed in Part II only.

Students of the Institute who are eligible to present themselves for examinations of the Society are informed that the award of medals and prizes has been discontinued in these examinations. Honours certificates will be awarded in appropriate cases.

Honours certificates were awarded to the following candidates in the examinations of the Society:

INTERMEDIATE

E. Bates (Albert Bell & Mulcaster), Newcastle upon Tyne.
N. F. Marshall (Fawcett, Brown & Pinniger), Salisbury.
J. Partington (Alfred Dobson & Co), Leeds.
K. W. J. Saunders (Simpson, Wreford & Co), London.
E. A. Tillman (Kemp, Chatteris & Co), London.

FINAL

D. I. Matthews (Percy G. Stembridge & Co), Birmingham.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

(*a*) Ten applications under bye-law 85 (*a*) for exemption from the Intermediate examination were acceded to.

(*b*) One application under bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to.

Reduction in Period of Service under Articles

Three applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Exemption from the Preliminary Examination

The regulations governing exemption from the Preliminary examination by virtue of a school certificate (see page 46 of the November 1958 examinations edition of the booklet *General Information and Syllabus of Examinations*) have been extended.

A candidate who has obtained the standard of at least 'pass with credit' in six or more subjects, including English language and mathematics at any two school certificate examinations conducted by an approved examining body, shall, subject to the provisions of notes (III) (IV) and (V) on page 43 of the booklet *General Information and Syllabus of Examinations*, be eligible for exemption from the Preliminary examination.

Entries for Examinations

Candidates for the November 1958 examinations (including those set on the syllabus of the Society) are reminded that late entries will in no circumstances be accepted. Candidates are advised to submit their entries at least a month before the closing date and to make sure that their entries are acknowledged.

Member's Descriptions and Designatory Letters

During the transitional period since the scheme of integration became effective on November 2nd, 1957, the Council has recognized that some fellows and associates of the Institute have found it convenient to continue to use the description and letters to which they were previously entitled as members of The Society of Incorporated Accountants. This practice is contrary to the terms of the scheme of integration and the Council expects all such fellows and associates and their firms to amend their name-plates and stationery before January 1st, 1959, to show only the description 'chartered accountant(s)' and/or the letters F.C.A. or A.C.A.

Articles of Clerkship

FAILURE TO PASS INTERMEDIATE EXAMINATION

The Council has decided that the following clause will be included in the standard forms of articles of clerkship:

> '(i) That the principal shall be entitled to discharge the articled clerk from service hereunder by two months' notice in writing to be given:
>
> (*a*) within one month of the date of a letter from the Secretary of the Institute notifying the Principal that the articled clerk has been classified as a "bad failure" at the Intermediate examination of the Institute; or
>
> (*b*) within one month of the publication of the results of the third or any subsequent Intermediate examination for which the articled clerk shall have been eligible to present himself and shall not have passed.
>
> (ii) That in the event of notice of discharge being given by the principal under the last preceding sub-clause the articled clerk shall have the right during the period of such notice to appeal in writing against such discharge to the Council of the Institute. A copy of such appeal shall at the same time be sent to the principal who shall be entitled to submit in writing to the Council and to the articled clerk any representations he may wish to make on such appeal. The principal, the covenantor and the articled clerk agree that each of them will if so requested appear personally before the Council or any Committee thereof and otherwise will give such assistance as may be considered necessary by the Council for the proper determination of the appeal. The decision of the Council on the appeal, which shall be final and binding on the parties hereto, shall be notified in writing to the principal, the covenantor and the articled clerk and if this confirms the notice of discharge the service of the articled clerk hereunder shall determine on the date of the notification of the Council's decision or on the date of the expiry of the said two months' notice, whichever shall be the later.'

This clause is not one of those which the Council under bye-law 51 requires to be included in all articles of clerkship. It is 'optional' in character, that is to say it may be included or excluded by agreement between the parties to the articles.

Education and Training for the Profession

On the Report of the General Purposes and the Articled Clerks Committees, made after consultation with the Non-Practising Members Consultative Committee, the Council has appointed a committee under the chairmanship of Mr W. E. Parker with the following terms of reference:

> 'To consider the education and training appropriate for entrants to the profession, the existing arrangements and facilities therefor, and the changes, if any, which should be made so as to ensure the provision of an adequate supply of trained candidates suitable in all respects for admission to membership of the Institute; and to make recommendations.'

The other members of the Committee are: The President and Vice-President (*ex officio* members), Mr P. F. Carpenter, Mr D. R. N. Clarke, Mr H. O. H. Coulson, Mr W. G. Densem, Mr J. S. Ellison, Mr

P. F. Granger, Mr D. V. House, Mr N. G. Lancaster and Mr Bertram Nelson.

In undertaking this inquiry the committee will seek the co-operation of members of the profession and of representatives of other professions, of the universities and educational authorities, and of industry and commerce.

Individuals and organizations who are prepared to assist the committee, in the first instance by submitting views in writing, are invited to communicate with the Secretary of the Institute at Moorgate Place, London, EC2.

Members Commencing to Practise

The Council received notice that the following members have commenced to practise:

Bird, (Mrs) Margaret Dunlop; A.C.A., 1955; 21 Gordon Close, Staines, Middlesex.

Colby, Dennis; A.C.A., 1951; George Street Chambers, Kingston Road, Staines, Middlesex, and at East Sheen.

Collins, Bernard; A.C.A., 1954; (Wildash & Co), College Hill Chambers, 23 College Hill, London, EC4, and at Worthing.

Creswick, Peter Linnhe; A.C.A., 1958; (S. 1955); (Leslie Bray & Co), Martins Bank Chambers, Otley, Yorkshire.

Edgington, George Thomas; A.C.A., 1958; (S. 1951); (Thornton & Thornton), 8 King Edward Street, Oxford.

Edwards, Colin Barry; A.C.A., 1958; (Maidment, Penney, Quick & Co), 6 Chandos Street, Cavendish Square, London, W1.

Jackson, Douglas Arthur; A.C.A., 1958; (S. 1955); (A. Wood & Co), 12 Price Street, Burslem, Stoke-on-Trent, and at Newcastle, Staffs.

Jones, Patrick Llewelyn; A.C.A., 1955; (*Edwin Hubbard & Co), 20/21 Tooks Court, Cursitor Street, Chancery Lane, London, EC4.

Joseph, Leon; A.C.A., 1958; (S. 1956); (Leon Joseph & Co), 'Silverlea', The Vale, Southgate, London, N14.

Langdon, Martin Howard; A.C.A., 1958; (Martin Langdon & Co), 6 Francklyn Gardens, Edgware, Middlesex.

Lye, David Beresford; A.C.A., 1957; (Beresford Lye & Co), 1 Leadenhall Street, London, EC3.

Mitchell, Martin; A.C.A., 1952; 28 Orchard Avenue, Finchley Central, London, N3.

Morris, Jack; A.C.A., 1958; (S. 1948); (Lloyd, Piggott & Co), 2 Cooper Street, Manchester, 2.

Munn, Thomas Alfred; A.C.A., 1958; (S. 1948); (Hacker, Rubens & Co), 18 Maddox Street, London, W1.

Munns, Reginald; A.C.A., 1958; (S. 1950); (†Rawlinson & Hunter), 35 Clarges Street, Piccadilly, London, W1, and 147 New Bond Street, London, W1.

Nicholson, Michael Burrows; A.C.A., 1958; 60 The Balk, Walton, near Wakefield.

Pangburn, Jack; A.C.A., 1958; (S. 1952); (*Stafford, Pangburn & Co), Adanac House, 171A Oxford Road, Manchester, 13.

Phillips, Thomas Delme; A.C.A., 1958; (Wynn Llewelyn, Davies & Co), Bank House, St James Street, Narberth, Pembs, and at Whitland, Carms.

Pollitt, John Kensey; A.C.A., 1958; (S. 1929); (Curtis, Jenkins, Cornwell & Co), Llanover Estate Buildings, Fields Road, Newport, Mon.

Pope, Bryan; A.C.A., 1949; (James, Edwards & Co), Salisbury House, London Wall, London, EC2.

Primmer, Gilbert John; A.C.A., 1958; (S. 1926); (Royce, Peeling, Green & Co), 18 Lloyd Street, Manchester, 2.

Sarson, Michael Barry; A.C.A., 1951; (Thornton & Thornton), 8 King Edward Street, Oxford.

Shaw, Alfred; A.C.A., 1958; (S. 1930); (Curtis, Jenkins, Cornwell & Co), 44 Corn Street, Bristol, 1.

Shaw, David Ledgard; A.C.A., 1954; (Henderson, Duthie, Spence & Co), 9 Clements Lane, London, EC4.

Sober, Phillip; A.C.A., 1953; (Stoy, Hayward & Co), 97/99 Park Street, London, W1.

Spooner, Robert; A.C.A., 1958; (S. 1951); (†Rawlinson & Hunter), 35 Clarges Street, Piccadilly, London, W1, and 147 New Bond Street, London, W1.

Steed, John Benjamin; A.C.A., 1958; (S. 1948); (*Cross, Rowlatt & Steed), 30 High Street, Newport, Isle of Wight.

Stevens, Eric; A.C.A., 1954; (Jackson, Stevens & Co), Talbot House, Baxtergate, Whitby.

Taylor, Gerald Winston; A.C.A., 1958; (S. 1955); (Aubrey Rothburn, Taylor & Co), Atlantic Chambers, 7 Brazennose Street, Manchester, 2.

Thompson, Geoffrey Musgrave; A.C.A., 1958; (S. 1954); (Stables & Thompson), Lowther House, Lowther Street, Kendal.

Trafford, Kenneth Cyril Ronald; A.C.A., 1958; (S. 1950); (Thornton & Thornton), 8 King Edward Street, Oxford.

Wagstaff, Allan; A.C.A., 1958; (*Cooke & Staples Parker), Maun Chambers, 31B Church Street, Mansfield, Notts.

Williams, Derek Gordon; A.C.A., 1958; (S. 1953); (R. G. Kirkpatrick & Co), Moorgate Hall, Moorgate, London, EC2.

Winter, David; A.C.A., 1958; (David Winter & Co), 90 Castlewood Road, London, N16.

Election to Fellowship

The following were elected to fellowship:

Allen, John Frederick; A.C.A., 1950; (Mellor, Snape & Co), 130/132 Nantwich Road, Crewe, and at Macclesfield and Manchester.

Bucknill, Thomas Richard Townsend; A.C.A., 1947; (†Price Waterhouse & Co), 3 Frederick's Place, Old Jewry, London, EC2; (for other towns see †Price Waterhouse & Co).

Burkett, John Brian; A.C.A., 1946; (Ricketts, Cooper & Co), 21 Bridge Street, Bristol, 1.

Cobham, Roger Hargreaves; A.C.A., 1934; (Bowker, Stevens & Co), Griffin House, 18–19 Ludgate Hill, Birmingham, 3, and at Stafford.

Cull, William Charles; A.C.A., 1952; (Roberts, Marsden & Co), 17 Carlton Crescent, Southampton, and at Lymington, Hants.

Dawe, William Henry; A.C.A., 1958; (S. 1949); (Monahan & Co), Stafford House, 16 Market Place, Chippenham, and at Swindon.

Fawkner-Corbett, Raymond Victor, T.D.; A.C.A., 1950; 'Beeches', Elm Road, Horsell, Woking, Surrey.

Fooks, Harold Christopher; A.C.A., 1958; (S. 1930); (J. Fooks & Sons), 3 Park Place, Cardiff.

Forster, Colin; A.C.A., 1952; (John Stansfield, Westmore & Co), Central Buildings, 41 North John Street, Liverpool, 2, and at Colne and Nelson.

Holmes, Geoffrey Andrew; A.C.A., 1951; 73 The Park, St Albans, Herts.

Jardine, John; A.C.A., 1958; (S. 1936); (Pattison, Jardine & Co), 8 West Street, Gateshead, 8.

Knights, Alan John; A.C.A., 1948; (Hereward, Scott, Davies & Co), 3 St Helen's Place, Bishopsgate, London, EC3, and Barclays Bank Chambers, 159 Stoke Newington High Street, London, N16, and at Finchley and Palmers Green.

McIntee, Edward Bruce; A.C.A., 1958; (S. 1937); 103 Croxted Road, London, SE21.

Miller, Angus Charles Donald; A.C.A., 1958; (S. 1953, f. 1956); (A. J. Palmer & Co), Portland Chambers, West Street, Fareham, Hants, and at Gosport.

Mullen, John Francis; A.C.A., 1958; (S. 1945); (W. A. Collier Booth & Co), 14 Dale Street, Liverpool, 2.

Nathan, Michael Ronald; A.C.A., 1951; (†Howard, Howes & Co), Norfolk House, Norfolk Street, London, WC2.

Norris, David Colin, B.SC.; A.C.A., 1951; (Haythornthwaite & Norris), 20 Richmond Terrace, Blackburn.

Owen, Lewis; A.C.A., 1940; (Bayfield & Bayfield), 95 Colmore Row, Birmingham, 3.

Postle, Bertram George; A.C.A., 1958; (S. 1934, f. 1957); (*W. J. Hayden & Co), 124 Thorpe Road, Norwich, and at North Walsham.

Redwood, Alfred Alexander Fleming; A.C.A., 1953; (Ricketts, Cooper & Co), 21 Bridge Street, Bristol, 1.

Reid, John Rollo; A.C.A., 1946; (*Deloitte, Plender, Griffiths & Co) and (*Deloitte, Plender, Haskins & Sells), 39 Rue Cambon, Paris, 1.

Szmur, John Arthur George, A.F.C.; A.C.A., 1958; (S. 1952, f. 1956); (Lomax, Clements & Co), St Paul's House, 61/63 St Paul's Churchyard, London, EC4.

Stewart, Patrick Robert Nesbitt, M.C., T.D.; A.C.A., 1947; (Mellors, Basden & Mellors), 1 King John's Chambers, (P.O. Box No. 39), Bridlesmith Gate, Nottingham, and at Manchester.

Thornborough, Horace Henry; A.C.A., 1958; (S. 1935); Hadley House, 313 Ballard's Lane, North Finchley, London, N12.

Vickers, Kenneth Graham; A.C.A., 1958; (S. 1932); (Robson, Morrow & Co), 59 New Cavendish Street, London, W1, and at Birmingham, Glasgow, Sheffield and New Delhi.

Walters, Martin; A.C.A., 1952; (Martin Walters & Co) and (Leslie Melville & Co), 19 Bedford Row, London, WC1; also at 104 Upper Street, London, N1, and Edgware (Martin Walters & Co).

Watkins, Richard Francis; A.C.A., 1949; (A. C. Palmer & Co), Regent House, 45 Sheep Street, Northampton, and at London, Bedford, Leicester and Rushden.

Admission to Membership

The following was admitted to membership of the Institute:

Nelson, William Lawrence; A.C.A., 1958; with *Turquand, Youngs & Co, Monte Esquinza 23, Madrid.

Use of Letters F.S.A.A.

Applications from the following incorporated accountant members A.S.A.A., to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the Supplemental Charter were acceded to:

Bennington, Norman; (1958); A.S.A.A., 1933; Borough Treasurer, Ealing Corporation, Town Hall, Ealing, London, W5.

Collard, Cedric William; (1958); A.S.A.A., 1930; Borough Treasurer, Bedford Corporation, Town Hall, Bedford.

Cottam, George; (1958); A.S.A.A., 1937; Borough Treasurer, Harrow Corporation, 'Woodlands', Clamp Hill, Stanmore, Middlesex.

Owen, Jack; (1958); A.S.A.A., 1943; Borough Treasurer, Town Hall Tottenham, London, N15.

Richards, Arthur John; (1958); A.S.A.A., 1922; County Treasurer, Bedfordshire County Council, Shire Hall, Bedford.

Shiner, Alfred; (1958); A.S.A.A., 1937; Borough Treasurer, Brentford and Chiswick Borough Council, Town Hall, Chiswick, London, W4.

Thorne, Reginald Peter, M.A.; (1958); A.S.A.A., 1922; County Treasurer, Cambridgeshire County Council, Shire Hall, Cambridge.

Waterfall, Ronald Frederick; (1958); A.S.A.A., 1945; Borough Treasurer, Luton Corporation, Town Hall, Luton.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from 12 members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the Supplemental Charter. All the new members have been notified. The total number of members now admitted under the scheme is 10,013.

Appointments to Committees

The Council made the following appointments to committees:

Mr W. G. Densem – Investigation Committee.
Mr P. F. Granger – General Purposes Committee.

Chairmen and Vice-Chairmen of Committees

The Secretary reported the appointment of the following Chairmen and Vice-Chairmen of Committees for the ensuing year:

Committee	*Chairman*	*Vice-Chairman*
Disciplinary	Sir Harold Gillett	G. F. Saunders
Examination	P. F. Carpenter	W. G. Densem
P. D. Leake	W. L. Barrows	—

Registration of Articles

The Secretary reported that 95 articles of clerkship had been registered during the month of July.

Change of Name

The Secretary reported that the following change of name had been made in the Institute's records:

Fynn, Basil Mortimer Lindsay to Lindsay-Fynn, Basil Mortimer.

Resignations

The Council accepted the resignation from membership of the Institute of:

Huntley, Charles Henry; A.S.A.A.; Clerk and Chief Financial Officer, Penrith Urban District Council.

James, Peter Octavius; A.C.A.; 'Hillcrest', Wollaston, Northants.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Robert Hardman Benson, F.C.A., Manchester.
,, Robert Buckler, A.C.A., Rugby.
,, Benjamin Gee Davison, F.C.A., Leamington Spa.
,, Arthur Charles Gillman, F.C.A., London.
,, Samuel Winston Kallend, A.C.A., Worthing.
,, Bertie Milman Patton, A.C.A., Torquay.
,, Walter Ernest Strudwicke, C.B.E., M.C., A.C.A., London
,, Frederick Henry Thornton, M.B.E., F.C.A., Liverpool.
,, Thomas Travis, A.C.A., London.
,, John Webster, F.C.A., Swansea.
,, Arthur Wilson, A.C.A., Robin Hood's Bay, Yorkshire.

'S' means year of admission to membership of the Society and 'f' means year of election to fellowship of the Society.

¶ means 'in practice'.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

[illegible] against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Firms not marked † or * are composed wholly of members of the Institute.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on July 2nd, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Frank Raymond Kelsey, F.C.A., was at the General Sessions at the Central Criminal Court on April 15th, 1958, convicted on indictment for that he knowingly and wilfully made (otherwise than on oath) a statement false in a material particular in a return of income which he was required to make by Public General Acts of Parliament relating to Income Tax (seventeen offences) and for that he with intent to defraud and to the prejudice of His late Majesty the King and the Commissioners of Inland Revenue caused to be delivered to an Inspector of Taxes false profit and loss accounts and balance sheets of a business (six offences) and for that he with intent to defraud and to the prejudice of Her Majesty the Queen and the Commissioners of Inland Revenue caused to be delivered to an Inspector of Taxes false profit and loss accounts and balance sheets of that business (four offences), so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Frank Raymond Kelsey, F.C.A., had been proved and the Committee ordered that Frank Raymond Kelsey, F.C.A., of 2 Broad Street Place, London, EC2, be excluded from membership of the Institute.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting and Action: an introduction to the methods and scope of accounting; by R. J. Chambers. Sydney. 1957. (Law Book Co, 27s 6d.)

The Accounts of Limited Companies; by L. C. Mather. 1958. (Waterlow, 12s 6d.)

Annual Reports of Companies; by R. K. Yorston and E. S. Owens. Sydney. 1958. (Law Book Co, 90s.)

Bid for Power; by G. Bull and A. Vice. 1958. (Elek Books, 25s.)

Building Societies: their origin and history; by S. J. Price. 1958. (Presented by the Building Societies Association.)

Classics in the Theory of Public Finance; edited by R. A. Musgrave and A. T. Peacock. 1958. (Macmillan, 30s.)

Clerical Salaries Analysis 1958. (Office Management Association.) 1958. (O.M.A., 42s.)

The Company Director; by A. Read: third edition. 1958. (Jordan, 25s.)

A Defence of the English System of Book-keeping . . .: by E. T. Jones. Bristol. 1797. (From Society Library.)

Effects of Price Level Changes on Business Income, Capital and Taxes; by R. C. Jones. (Ohio.) 1956. (American Accounting Association, 27s 6d.)

The Elements of Drafting; by E. L. Piesse and J. G. Smith: second edition. 1958. (Stevens, 12s 6d.)

An Essay on Book-keeping according to the True Italian Method of Debtor and Creditor; by Double Entry . . .; by William Webster: sixth edition. 1738. (From Society Library.)

The French Law of Wills, Probate, Administration and Death Duties of the estates of English decedents leaving property in France; by P. Pellerin and J. Pellerin: fourth edition. 1958. (Stevens, 7s 6d.)

Industrial Law; by H. Samuels: fifth edition. 1958. (Pitman, 21s.)

Inflation and Company Finance; by R. Mathews and J. McB. Grant. Sydney. 1958. (Law Book Co of Australasia, 42s.)

The Investor's Progress: from money box to stocks and shares; by A. G. Ellinger. 1958. (Bowes & Bowes, 10s 6d.)

The Modern Book-keeper; or, Book-keeping made perfectly easy . . .; by William Squire. 1769. (From Society Library.)

Money at Work: a survey of investment; edited by M. Grundy. 1958. (Sweet & Maxwell, 17s 6d.)

National Wages Policy in War and Peace; by B. C. Roberts. 1958. (George Allen & Unwin, 15s.)

Ownership and Control of Australian Companies: a study of 102 of the largest companies incorporated in Australia; by E. L. Wheelwright. Sydney. 1957. (Law Book Co of Australasia, 42s.)

Principles of the Law of Partnership; by Sir A. Underhill: seventh edition by G. Hesketh. 1958. (Butterworth, 21s.)

Productivity in a Printing Firm; by F. A. Wells. 1958. (Duckworth, 21s.)

Records and Accounts of Farm Management; by A. G. Jeffery. 1958. (Ministry of Agriculture, 4s 6d.)

Staples on Back Duty; by R. Staples: seventh edition by P. F. Hughes. 1958. (Gee, 27s 6d.)

Taxation in the Proposed European Free Trade Area. (Federation of British Industries.) Second edition. 1958. (F.B.I., 20s.)

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Notes and Notices

PERSONAL

Messrs Price Waterhouse & Co, announce that they have opened an office in Geneva at 5 Rue Petitot. The resident manager will be Mr R. T. Sydney-Smith, A.C.A.

Messrs Lewis Golden & Co, Chartered Accountants, of 30 Queen Anne Street, London, W1, announce that Mr Peter Richard Robinson, A.C.A., has been admitted to partnership as from August 1st, 1958. The name of the firm remains unchanged.

Mr G. Alan Smith, F.C.A., practising under the style of Kingston, Smith & Co, Chartered Accountants, at 110 Cannon Street, London EC4, announces that he has taken into partnership Mr Norman Hildebrand, A.C.A., and Mr C. W. Clarke, A.C.A., who have previously been associated with him as members of his staff. The firm name will remain unchanged.

PROFESSIONAL NOTES

Mr C. W. Tyrrell, F.C.A., formerly deputy chairman of Bookers Engineering Holdings Ltd, has been appointed chairman of the company as from July 31st.

Mr L. C. Ellson, A.C.A., has been appointed joint chief accountant of Kemsley Newspapers Ltd, Manchester. He has been succeeded as secretary of the Evening Telegraph Ltd, Blackburn, by Mr H. Clasper, A.C.A., formerly assistant secretary of Newcastle Chronicle and Journal Ltd.

Mr R. E. Woodward, A.C.A., secretary of Geo. H. Hughes Ltd, has been appointed secretary of Wolseley-Hughes Ltd.

Mr John K. Lardner, A.A.C.C.A., has been appointed Accountant, Fife Area, South of Scotland Electricity Board.

THE INSTITUTE'S AUTUMN MEETING

The organizing committee for the Autumn Meeting announces that a ballot will be necessary to allocate the extra tickets obtained for *My Fair Lady* at the Theatre Royal, Drury Lane, on Friday, October 3rd, among the participating members who had expressed a preference for the banquet on that evening. The draw will be held early in September to enable those who are unsuccessful to make other arrangements for the evening. Members who originally opted for the banquet and who have not yet returned the forms indicating whether they wish to take part in the ballot are asked to do this in time to reach the conference treasurer, Mr C. Romer-Lee, F.C.A., 5 London Wall Buildings, London, EC2, not later than August 29th.

SOLICITORS' ACCOUNTANT'S CERTIFICATES

A note in the August issue of *The Law Society's Gazette* reminds solicitors of the necessity of submitting their accountant's certificates in the amended form required by the Accountant's Certificate (Amendment) Rules, 1956.

'A considerable number of certificates' it is stated, 'are still being submitted on the old form which necessitates their being returned to the solicitors concerned for re-submission on the correct form'.

To avoid 'their being inconvenienced by having to have the form completed again by their accountant', members are asked to ensure that the correct form is used in the first instance.

Accountants with solicitor clients might assist by similarly ensuring that the form submitted to them for completion is in fact the correct one.

LEAFLET ON LANDLORD AND TENANT ACT

The new Landlord and Tenant (Temporary Provisions) Act, which came into force on August 1st, affects decontrolled tenants who have received notice to quit under the Fourth Schedule of the Rent Act, 1957. An explanatory leaflet setting out the main provisions of the Act, as they apply in England and Wales, has been issued by the Ministry of Housing and Local Government and has been made available to local authorities and Citizens' Advice Bureaux.

Under the Act, the Court must be satisfied on four main issues if the tenant wishes to remain in occupation for a limited period through suspension of the order for possession. The four points are:

(1) that he has not unreasonably refused or ignored any proposal made by the owner to grant him a new tenancy for a period of three years or more;
(2) that he has failed, after making reasonable efforts, to get other appropriate accommodation;
(3) that he is up to date with his rent; and
(4) that in all circumstances, making an order for immediate possession would cause greater hardship than suspending the order for a limited period: i.e. not less than three, nor more than nine, months.

The Department of Health for Scotland has also issued a guide explaining the main provisions of the Act in its application to Scotland.

PENSION FUND ADMINISTRATION

It may sometimes happen that the problems of investment and the labour involved in the administration of a private pension fund deters a company – especially those of small or medium size – from taking advantage of the benefits which such a fund can bring.

A new service of pension fund administration has been set up which offers a 'big fund' service to such small or medium-sized firms, further details being obtainable from Throgmorton Management Ltd, 106 Old Broad Street, London, EC2.

ANNOTATED TAX CASES

Part 2 of Volume XXXVII of the *Annotated Tax Cases*, edited by Mr Roy Borneman, Q.C., is published today and contains reports, with notes on the judgments, of the following cases: *Fry v. C.I.R.* (Ch.D.); *C.I.R. v. South Georgia Co Ltd* (H.L.); *R. v. Vaccari* (C.C.A.); *Whitworth Park Coal Co Ltd v. C.I.R.*, *Brancepeth Coal Co Ltd v. C.I.R.*, *Ramshaw Coal Co Ltd v. C.I.R.* (C.A.); *London Investment and Mortgage Co Ltd v. C.I.R.* (H.L.); *Race-course Betting Control Board v. Young* (C.A.); *C.I.R. v. Grey and Randolph* (*Hunter's*

Nominees) (C.A.); *C.I.R. v. Oughtred* (C.A.); *Ostime v. Australian Mutual Provident Society* (C.A.).

The annual subscription to the *Annotated Tax Cases* is 30*s* post free; the publishers are Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

HOCKEY

Bank of England 0, Chartered Accountants XI 6

An enjoyable evening was spent on Wednesday, August 6th, when a team representing the Chartered Accountants' Hockey Club and drawn from members and articled clerks in the London area accepted an invitation to visit Roehampton to play a Bank of England XI. The pitch was suitably small for hockey at this time of the year and although in impeccable condition was well-grassed and heavy after rain so that the ball ran quite slowly.

Play started with the Bank fielding only ten men and this showed itself at once as all the early pressure was by the accountants. Stoughton-Harris was prominent at inside-right and aided by good passes from the wings scored twice. Just before half-time his office colleague at inside-left, Freer, also scored.

After twenty minutes' very even play in the second half, in which the accountants' defence performed with credit, the Bank were again forced back and three more goals were added, one by the inside-left and two by Bingham at centre-forward. The Bank tried hard to score a consolation goal but could not do so, and led the victors in via magnificent changing rooms to a splendid supper.

Team: S. N. Elgar (*Hampstead*): C. D. Jones (*Bishop's Stortford*), M. R. T. Lowth (*Southgate*) capt.: E. H. Garside (*Rickmansworth*), C. Thompson (*Wimbledon*), G. A. Davies (*Merton*): A. Cardoza (*Hampstead*), A. G. Stoughton-Harris (*Hawks*), B. C. Bingham (*Wimbledon*), E. F. Freer (*Cheam*), P. J. Boobyer (*Wimbledon*).

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The winners of the Chartered Accountants' Golfing Society's inter-firm competition for the A. O. Miles Challenge Cup were Harmood Banner, Lewis & Mounsey, of London, who beat Barton, Mayhew & Co, 9 and 7. The matches were played over courses selected by the challenging firms during the 1958 season.

The results are as follows:

First Round: Barton, Mayhew & Co, beat Herbert Hill & Co, 3 and 2; Harmood Banner, Lewis & Mounsey beat Broads Patterson & Co, one hole.

Second Round: Futcher, Head, Smith & Co w.o. Reads, Cocke & Watson, scr; Harmood Banner, Lewis & Mounsey beat Kemp, Chatteris & Co, 3 and 1; Turquand, Youngs & Co w.o. Mills, Hawes, Harper & Co, scr.

Semi-final: Barton, Mayhew & Co beat Futcher, Head, Smith & Co, 4 and 3; Harmood Banner, Lewis & Mounsey beat Turquand, Youngs & Co, 4 and 3.

Final (36 holes): Harmood Banner, Lewis & Mounsey beat Barton, Mayhew & Co, 9 and 7.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Results of Examinations held in June 1958

FELLOWSHIP EXAMINATION

Allison, J., Port Glasgow.
Allworthy, R. J., Greenford, Middlesex.

Bence, R. M. R., Cheltenham.

Chandrasekharan, T. R. I., Burdwan, India.

Dunkley, J. F., Guildford.

*Haxby, R. D., Renfrew.
Howitt, A. W., London.

Kamath, M. V., Richmond, Surrey.
Kelly, A. F., Waterford, Eire.

†Potts, J. R., Staines, Middlesex.

Scott, T. A., Newport, Mon.
Sellors, R. B., Beckenham, Kent.

Watkiss, K. H., Birmingham.
Williams, C. H. W., Southampton.
Wood, S. N., Johannesburg.

**Awarded the Lewton Coronation Prize.* † *Awarded the Beyer Peacock Prize.*

105 candidates sat. Of these, 15 candidates (as listed above) passed, 90 candidates failed.

FINAL EXAMINATION

PARTS A AND B

First Place (S. Laurence Gill Prize): Miles, J. H., Stoke-on-Trent.

Anderson, A. W., Glasgow.

Bailey, J. H., St Ives.
Barge, Miss M., London.
Black J. R., Birmingham.

Blakeman, E. R., Grimsby.

Copp, A. A., London.
Crew, S. A., Oxshott, Surrey.
Curtis, J. L., Sunderland.

Dent, G. R. H., Welwyn.
Desai, S. K., Calcutta.
Dove, K., Meyerton, South Africa.

Guy, W. J., Liverpool.

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Hazzard, P. A., Reading.
Hewson, R. A., Burton-on-Trent.
Hickman, G. B., Stourbridge.
Horton, A. J., Bishop's Stortford, Herts.
Hutchinson, J. H., London.
Kirby, S., Barrow-in-Furness.
Rogerson, P., Liverpool.
Salmon, U. H., Birmingham.
Smith, A., Walsall.
Smith, R., Liverpool.
Thomson, R. F., London.

132 candidates sat. Of these, 66 candidates (as listed above) passed Parts A and B; 24 candidates passed Part A only (names included in list under that heading); 18 candidates passed Part B only; 66 candidates failed to secure any pass.

PART A (COMPLETING FINAL)

Adams, A. J., London.
Adams, J. G., London.
Ainscow, S. C., York.
Aitchison, D. R., Glasgow.
Alcock, E. A., Bootle.
Aldred, B. C., Southampton.
Arm, A. R., Wednesbury.
Armishaw, E. L., Manchester.
Aspel, T. F., Waterford, Eire.
Austin, P. B., Harrow.

Baker, D. S., Nababeep, South Africa.
Baker, H. T., Stafford.
Baldwyn, H. J., Birmingham.
Balmain, D. W., Cape Town.
Balsam, B. J., Bristol.
Barrett, L. J., Sutton, Surrey.
Bayne, J., Kirkcaldy, Fife.
Bertram, P. J. A., Beeston, Notts.
Betts, I. W., Altrincham, Cheshire.
Bevan, E. J., Walsall.
Bhatti, M. D., Lahore.
Booton, G. I. R., Gloucester.
Boswell, J., Nuneaton.
Boulton, I. J., Manchester.
Boustead, E. D., Toronto.
Bramley, G., Kidderminster, Worcs.
Brindley, A. W., Derby.
Brockwell, R. E., Chalfont St Peter, Bucks
Brown, R., Alvechurch, Worcs.
Brown, R., Derby.
Buckley, J. A., Solihull, Warwicks.
Bullock, J. G. C., London.
Burke, W., Liverpool.

Capewell, J. A., Portslade, Sussex.
Chambers, J. F., Glasgow.
Chambers, R. W., Birkenhead.
Chard, M. J., London.
Coey, J. A., Stevenston, Ayrshire.
Collins, B., London.
Collins, P. J., London.
Collins, R. J., Chandlersford, Hants.
Collis, C. H., Manchester.
Cooper, L., Corby, Northants.
Coulson, T. G., Port Elizabeth.
Creedy, J. P., Coventry.
Crofts, G. C., Chesterfield.

Davison, P. J. F., Ilford, Essex.
Dawson, D., Todmorden, Lancs.
Day, J. B., Horley, Surrey.
Ditchfield, E., Warrington.
Dodd, A., Sandbach, Cheshire.
Done, D. M., Whitefield, Lancs.
Duncan, I. R., Marske-by-the-Sea, Yorks.
Dunnachie, W. R., Manchester.

Edgar, R. G., London.
Emerson, J. D. L., Warrington.
Emmerson, W. J., Sunderland.

Fairchild, R. D., Hounslow, Middlesex.
Farnsworth, C., Barnsley.
Ferguson, W. J. H., Birkenhead.
Flather, D. M., Ilkley, Yorks.
Fletcher, J., Preston.
Foote, D. J., Yeovil.
Fowler, S., Leeds.
Fullerton, W. M. L., London.

Galbraith, B. B., Harrow.
Galvin, J., Walsall.
Garden, A. S., Salisbury, S. Rhodesia.
Gardiner, W., Glasgow.
Geary, C. K., Loughborough.
Gibbons, D. W., London.
Gilbert, H. W., Birmingham.
Glayzer, D. T., London.
Gordon, K. S., Wembley.
Gunning, A. H. D., Wallington, Surrey.
Gustafson, R. P. W., London.

Hammer, G. C., Birmingham.
Hanson, P., Birmingham.
Hayes, A. T., Wakefield.
Herbert, H. J., Upminster, Essex.
Hible, W., Sheffield.
Hickson, D. A. L., Bedfont, Middlesex.
Hinchey, A. G. B., Leatherhead, Surrey.
Hiriyannaiah, S. R., Birmingham.
Hogan, P. J., London.
Holden, T. B., Leyland, Lancs.
Holgate, E. G., Halifax.
Howbrook, F., Burnley.
Hunter, R. A., Congleton, Cheshire.
Hutchinson, W. B., Belfast.

Jacobs, B., Sale.
Jenkins, D. L., Coventry.

Kelly, A. O., Dublin.
Kelly, P. D., Liverpool.
Kentsley, R. E., Orpington.
Kerr, J. W. B., Troon, Ayrshire.
Koopman, H. H., Strand, South Africa.
Lentle, J., Cardiff.
Leonard, G., Birmingham.
Llewellyn-Jones, L. L., London.
Logan, I. M., Glasgow.
Lowcock, B., Liverpool.
Lund, E., Cardiff.

McGlaughlin, P. H., Harrow.
McIntyre, A. D., Derby.
McKelvey, D. A., Bolton.
Mackenzie, H. G., Wolverhampton.
Mallinson, J. V., Rochester, Kent.
Martin, P. L., Nottingham.
Mills, R., Huddersfield.
Minchin, O. W., Hazel Grove, Cheshire.
Moffat, P. S., Sheffield.
Moore, G. A., Gedling, Notts.
Morris, H. S., Cwmbran, Mon.
Morris, W. H., Bristol.
Morrison, J., Huyton, Liverpool.

Neenan, A., London.
Nuttall, J., Blackburn.

Offord, R. S., Barnet, Herts.

Pace, K., Runcorn.
Page, G. D., Wellington, Shropshire.
Parker, H. N., Burnley.
Partridge, K. E., Nottingham.
Patil, S. A., Jamshedpur.
Paxton, J. W., Edinburgh.
Payne, A. B., Erdington, Birmingham.
Pendray, K. J., Rickmansworth, Herts.
Pennycook, J., Dundee.
Pettite, C. F. C., Wimbledon.
Platzer, A. D., Greenford, Middlesex.
Popham, J. E., Luton.
Potgieter, P. J. J., Randfontein, S. Africa.
Prince, C., Manchester.
Prince, T. J., Thornton Heath, Surrey.
Pryke, D. A., Ipswich.

Regan, K. H., Preston.
Rennie, S. T., Gatooma, S. Rhodesia.
Reynolds, R. P., Gillingham, Kent.
Riddell, R., Bargeddie, Lanarkshire.
Ritchie, S., Carlisle.
Robinson, D. E., Liverpool.
Robus, J. R., Wembley.
Roche, A., Hazel Grove, Cheshire.
Roden, J. T., Chester.
Ryan, T., Liverpool.

Savage, R. K. B., Northampton.
Scott, D., Harrow.
Shedd, J. W., Birmingham.
Shepherd, H. C., Accrington.
Shonfield, W. T., Carshalton, Surrey.
Shuttleworth, H., Durban.
Sivyer, V. J., London.
Smart, D. A., Johannesburg.
Smith, P. E., Normanton, Derbyshire.
Stapleton, R. J., Kemsing, Kent.
Stewart, W. J., Belfast.
Subramaniam, P. R., Bombay.
Sutton, A., Birmingham.
Swanepoel, P. F., Johannesburg.

Taggart, G. J., Aldershot.
Taplin, P. J., Derby.

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Tracy, P. E., Leicester.
Tyler, R. L., Kingswinford, Staffs.

Ullmann, R., London.

Watkins, G. R., Newport, Mon.
Watts, J. B., Derby.
Webb, A. H., London.
Webb, E. J., Princes Risborough, Bucks.
Wells, L. F., Romford, Essex.
Whittaker, M., Stafford.
Wholer, A. G., Upminster, Essex.
Wild, G., Sale.
Wild, P. G., Worcester Park, Surrey.
Wilke, C. J., Port Elizabeth.
Williams, E. J., Liverpool.
Williamson, R., Cherry Willingham, Lincs
Willingham, D., London.
Wilson, F. B., Leamington Spa.
Wilson, R. O., Ipswich.
Wingfield, G. F., Heston, Middlesex.
Wootton, A. L., Barnston, Cheshire.
Wright, J., St Helens, Lancs.

561 candidates sat. Of these, 187 candidates (as listed above) passed; 374 candidates failed.

PART B (COMPLETING FINAL)

Ashley, B. R., Birmingham.

Benton, R., Stroud, Glos.
Blears, K. H., Ascot.
Boekhout, K., Pretoria.
Brooks, B. J., London.

Cargill, R. A., Windsor, Ontario.
Christle, J. P., Dublin.
Clare, J. D., Dartford.
Clark, K. D., London.
Coles, C., Feltham, Middlesex.
Colvin, B., London.
Cooper, J. C., Erdington, Birmingham.
Copeland, J. L., Stoke-on-Trent.
Crank, A., Liverpool.
Culham, H. K., London.
Currie-Wood, E. G., Durban.

Davis, R. M., Stanford-le-Hope, Essex.
Davis, R. H., Bristol.
Dearden, J. P., Belfast.
Dunworth, A. V., Hayes, Middlesex.
Duvall, E. H., Cwmbran, Mon.

Fairhurst, H., Widnes.
Farleigh, R. W., Mitcham, Surrey.

Gennes, G. B., Brierley Hill, Staffs.
Gibson, J., Kirkcaldy, Fife.
Gillow, J., Newthorpe, Notts.
Grant, B. A., London.
Grinsted, S. H., Hanworth, Middlesex.
Gunawardena, O. A. A., Darlaston, Staffs.

Harding, E. A. F., Penicuik, Midlothian.
Hayden, W. J., Dublin.
Henderson, R., Kilmarnock.
Henke, A. J., Slough, Bucks.
Herman, K. J., London.
Hewitt, P. A., Belfast.
Hirst, A. K., London.
Hodcroft, C., Manchester.
Hopwood, P. R., York.
Hoyle, K., Manchester.

Ions, J. T., Newcastle upon Tyne.

Jarvie, R. W. G., Whitecraigs, Renfrews.

Kalinsky, S. M., Ilford, Essex.
Keene, J. F., Sale.
Keir, J. M. L., Wolverhampton.
Keogh, D. B. J., Waterford.
Kibbler, A. E., Birmingham.
Kirkwood, J. S., Paisley.

Leddra, S. G., Orpington.
Lewis, D. I. H., Fleet, Hants.

Mitcheson, G., Sunderland.
Morton, R. C. H., London.
Moss, V. R., Salisbury, S. Rhodesia.
Muir, T. B. C., Giffnock, Renfrews.

Norgate, M. S., Upminster, Essex.

Porter, J. V., Newcastle upon Tyne.

Riley, N. H., Nuneaton.
Robinson, W. K., Newcastle upon Tyne.
Rome, G. L., Darlington.

Scott, W. E. R., Cheltenham.
Smith, B. G., Liverpool.
Smith, R. S., Scunthorpe.

Tehsin, S. H., Karachi.
Tilston, A., Hooton, Cheshire.
Turner, J. T., Liverpool.

Waterhouse, F. H. C., Erdington, Birmingham.
Wearing, W. C., Swindon.
Whiteside, D. E., Great Crosby, Liverpool
Wilby, P. A., Harrow.
Wood, R. P. A., Benoni, South Africa.

130 candidates sat. Of these, 69 candidates (as listed above) passed; 61 candidates failed.

Summary of Results

GRADE	PASSED	PASSED	PASSED	PASSED	PASSED	FAILED	NUMBER OF CANDIDATES
	Completing Examination	Intermediate Part I only	Part A only	Part B only	TOTAL		
FELLOWSHIP	15	—	—	—	15	90	105
FINAL							
Parts A and B	24	—	24	18	66	66	132
Part A (Completing Final)	187	—	—	—	187	374	561
Part B (Completing Final)	69	—	—	—	69	61	130
Part A (only)	—	—	57	—	57	107	164
Part B (only)	—	—	—	207	207	438	645
TOTAL	280	—	81	225	586	1,046	1,632
INTERMEDIATE							
Parts I and II	113	107	—	—	220	301	521
Part I	—	578	—	—	578	1,371	1,949
Part II	547	—	—	—	547	779	1,326
TOTAL	660	685	—	—	1,347	2,451	3,796
PRELIMINARY	72	—	—	—	72	206	278
GRAND TOTALS	1,027	685	81	225	2,018	3,793	5,811

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and Accountancy
throughout the World

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Capacity to Spare?

A HEATED debate has been raging for some little time about the amount of spare industrial capacity which is now thought to exist. In other words, whether or not the fruits of the 1954–57 investment boom are being frittered away. The argument runs that the policy of disinflation at home has been progressively strengthened during the past few years and was reinforced last September resulting in a virtual standstill in industrial production or, at any rate, the complete absence of any sign of a spurt in activity that might otherwise have been expected from the expanding volume of industrial investment in recent years.

Broadly speaking, the investment boom was sparked off by the introduction of investment allowances in April 1954, at a time when demand both at home and abroad was increasing, giving rise to swollen order books, while trade prospects generally seemed particularly buoyant. Once the pent-up plans for erecting new factory buildings (and the plant to go with them) had been passed, the spate of spending on industrial fixed investment started in earnest – to continue almost unabated until the end of 1957. During the past four years, for instance, close on £12,000 million was spent on gross fixed capital formation in the United Kingdom, while the gross domestic product was a mere £1,000 million higher in 1955 than in 1954, only £1,250 million more in the following year, and just £1,050 million greater in 1957. Viewed in percentage terms the proportion of gross national income devoted to fixed investment has been rising steadily over the past few years, reaching a peak of 17 per cent last year; whereas the real output of goods and services was scarcely 1½ per cent higher last year than in 1956, and the relative increase in that year over 1955 was even smaller.

On the face of it, then, these figures appear to indicate that a substantial and increasing amount of excess capacity is piling up in the British economy: a conclusion which seems to be supported of late by a resurgence in the rate of unemployment to 2 per cent of the working population.

Nevertheless, a closer examination of the evidence goes a long way to refute this point of view by showing that the amount of genuine excess capacity that could be revived or, at least reprieved, by Government action is very much smaller than that which appears to exist on the surface.

In the first place, a large part of the total sum devoted to fixed capital investment is not immediately productive of an increased supply of goods. An analysis by industry group shows why this is so.

FIXED CAPITAL FORMATION
£ million

	Manufacturing (including mining)	Dwellings	Distribution and other industries,	Gas, Electricity and Water	Transport and Communications	Public Services
1954	693	644	454	303	269	191
1955	830	614	561	342	288	207
1956	960	627	595	339	346	248
1957	1,033	622	663	357	435	278
	3,516	2,507	2,273	1,341	1,338	924

Source: National Income and Expenditure Estimates.

Although manufacturing industry admittedly claimed the largest slice of the money spent, the lion's share was devoted to those industries, trades and services (such as housing) which, by any standards, can only be classed as 'productive' in an indirect or long-term sense. An alternative approach can be made by re-analysing the same total gross expenditure on fixed investment by type of asset. Here, one finds that well under £4,500 million was spent on plant and machinery, some £3,300 million on new buildings and works (other than housing) and the remainder represents vehicles, ships and aircraft. The lumping together of investment of all kinds leads to the common belief that it is thereby all unquestionably productive.

Secondly, in interpreting these figures no allowance whatsoever is made for the inflexible development period extending, perhaps, over several years. This aspect of the situation is most important in those industries where capital projects normally take several years to reach the finished state, like iron and steel works, oil refineries, chemical plants, and motor-car factories, etc. Thus expenditure on new plant and equipment is being generated, together with progress payments on the constructional work – all of which enter into the national income and expenditure estimates year by year, ostensibly as investment expenditure ripe for immediate productive use. Unfortunately, that is very far from being the case, since most of the large spenders on capital account have been just those industries where cumulative investment expenditure fructifies only *after* the spending has ceased. Even then, a 'running-in' period of several months is usually needed before the new plant can be operated at anything approaching full capacity.

Apart from these few major industries, however, almost all other industrial spending on fixed investment starts to have its effect on the economy between twelve to eighteen months later, so that some degree of operational delay is always unavoidable.

The third point which needs emphasizing is that all the published statistics deal exclusively with *gross* fixed investment; no provision whatsoever is made for such capacity as may have been withdrawn from use due to age or obsolescence.

During the past few years, with production running at full tilt or thereabouts, few firms found it possible or indeed desirable to take out of production any plant and machinery however old and inefficient it might be. But when demand began to flag towards the end of 1957, the opportunity presented itself and, in consequence, much old plant was taken out of use, especially where a good deal of new and more efficient plant had already been brought into commission. The present pause in demand may therefore not be entirely unwelcome in some quarters. In the cement industry, for example, the chairman of Associated Portland Cement Co recently observed that:

> '. . . the return to more normal operating conditions has already made possible a satisfactory saving in fuel consumption and the closure of several old, uneconomic kilns pressed into service during the period of peak demand'.

It seems that the company has for years been operating considerably in excess of the works' designed capacity – with the inevitable result of some sacrifice of efficiency and an increase in costs due to 'penal' overtime rates.

In short, many of the wild assumptions currently made about excess capacity in industry – and the efforts to measure it statistically – are hardly borne out by the facts. A certain amount of slack certainly seems to exist throughout industry as the recent survey undertaken by the Federation of British Industries and the more limited inquiry into excess capacity in the metal-using industries conducted by the National Institute of Economic and Social Research showed, though there are wide variations within industries and the reasons differ radically from one industry to another. Although a general increase in demand would revive industry, it would still not solve the problem for all firms, since some capacity is either completely redundant anyway or will have to be adapted to other uses.

Undoubtedly, some part of the investment spending spree represents a real expansion of capacity, but a similar proportion was evidently spent on simply replacing worn-out capacity.

Seven Years of Legal Aid

RECENTLY the Law Society published its seventh annual report on the operation and finance of Part I of the Legal Aid and Advice Act, 1949,[1] and the LORD CHANCELLOR told the House of Lords that he hopes to implement a part of the legal advice provisions of the Act before the end of this financial year and the remainder of them shortly afterwards. Each year the Law Society's report is briefly commented on in the national Press, and the comments of judges on some of the anomalous results of the scheme's operation are more widely reported, but 'legal aid' remains the least known – and the most misunderstood – of the arms of the welfare state, and the fact that the completion of the structure is now in sight may give point to a brief survey of a scheme which can quite unexpectedly impinge upon the private or the professional life of any one of us.

The idea of legal aid is, of course, very old: as long ago as the fifteenth century there were the beginnings of organized assistance to poor litigants. The 1949 Act was the culmination of a long series of efforts to see that poverty should not completely rob a man of his right to justice. But the most cursory examination of even these latest provisions shows how far short they fall of providing free or cheap access to the Courts for all who find unsubsidized litigation a ruinous prospect. Under the Act, free legal aid is available only to applicants with a disposable income of less than £156 a year, and a diminishing measure of increasing contributions being required as the income rises above this figure, with a ceiling of £420. The definition of 'disposable income' somewhat relieves the austerity of these figures, and some assistance may be available to a man earning £700 a year if he has, for instance, substantial family responsibilities; but even so there is an obvious difference in approach here from that apparent in some other aspects of welfare; and the Advisory Committee's recommendation in this year's report that the basic figures should be increased to £208 and £600 respectively will hardly provoke attack on grounds of extravagance.

It is in these means test figures that we come on the first major question of principle in legal aid. The concept that rich and poor are equal before the law has, of course, never meant more than that the judges dispense justice without bias to those who come to the Queen's Courts. The cost of getting there is quite another matter; and in the legal aid scheme, as in all its tentative predecessors, the most that is attempted is the removal of the impassable barrier that would otherwise face the absolutely poor. But there are many who are not absolutely but relatively poor, and the odd position is bound to arise, with any means test, that below the lower figure you get your justice free while immediately above the higher figure you pay in full for it. Today the tramp with a disposable income of less than £3 a week is better off, when he goes to law, than the clerk struggling with respectability on three times as much, although the latter may be demonstrably the poorer man relatively.

So no one can properly object when a firm answer is given to a second question of principle. If the Courts alone can properly adjudicate on the disputes which it is sought to bring before them, will not any measuring of the merits of an applicant's case be in some degree a prejudging of the issue? If an applicant is denied legal aid because his case is considered not to be a substantial one, can he not say that he is denied justice, because the Courts might have found differently? The answer under the Act is unequivocal but reasonable: every applicant must satisfy a local committee established under the Act that his claim is not a frivolous one, but when the applicant is plaintiff the committee is expressly debarred from considering the defendant's answer to the plaintiff's case. (When the applicant is the defendant the committee must obviously look at the plaintiff's case too.) In fact there have been scarcely any criticisms of the local committees' work; and however logical may be the argument of pure justice against their existence, in practice it is essential to have some safeguard against the excessively litigious.

Yet the scales are weighted against his unassisted opponent in another manner again. The applicant who satisfies the local committee can go to Court either without costs or (if he is between the two ceilings) with his possible costs, his 'contribution', defined. The man (or the company) he is bringing his case against is – unless he, too, is legally aided – in quite a different position. In the first place he cannot have any certain knowledge of what the case will cost; in the second he is uneasily aware that, even if he wins and the Court awards him his costs, he may very well not get them. The Legal Aid Fund pays the costs of its own applicants, not those of their opponents.

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[1] H.M.S.O. 3s net.

This can obviously be a matter of moment when a case goes to the High Court and perhaps even to appeal. There is, of course, no more hardship suffered by the successful defendant than if the plaintiff had himself been unassisted (his income perhaps £600 a year) but had proved, as so many litigants have always proved when put to the test, unable to foot the full bill for his unsuccessful venture to law. There is always, in such cases, a strong inducement for the defendant to settle out of Court; he is understandably rather more cross than he otherwise would be when he realizes that the action would not have been brought at all without the help of the taxpayer. Here is probably the least satisfactory aspect of legal aid; while there would be little support for a general subsidy for sufferers in this regard, there is much to be said for the compromise suggestion that in the Court of Appeal at least, where the costs mount alarmingly, the State might meet the comparatively rare but very severe cases of hardship that arise in this way. The cost would almost certainly be very small.

The taxpayer, in fact, does not pay for anything like the whole of legal aid. Before 1949 what legal aid there was depended on the generosity of the legal profession. The Act very rightly made legal aid a charge on the State, but not wholly so, for barristers and solicitors take less than their normal profit margin on cases they handle under the Act. To this extent all legally-aided litigants are subsidized by the legal profession itself. And a substantial proportion of them do not in the event make any claim on the fund, for a successful litigant who is awarded costs against his opponent is obviously self-supporting. When both parties are legally aided, then, of course, the State has to pay whoever wins.

The spread of the scheme is very wide, and while divorce has been overwhelmingly the principal assisted cause, there have been assisted cases also in the Chancery and Queen's Bench Divisions and in the Bankruptcy Court, as well as in the Court of Appeal and, latterly, in the County Courts.

The 1949 Act made provision, as its name implies, both for legal aid and legal advice. The only immediate implementation of the Act covered legal aid in the High Court; since the beginning of 1956, County Court cases have been covered also. It has been a regular criticism of the scheme that to give aid and withhold advice is probably rather less than half of the ideal; it has been argued that advice would often make aid unnecessary. In fact, of course, the poor man can often get legal advice already; but in many cases he cannot, and the Lord Chancellor's announcement is welcomed by all who are interested in the overall success of the scheme. It may well be that advice will not prove as formidable a burden as successive Chancellors have feared; it is interesting to note in this year's report that there has been no flood of applications for County Court aid in the first full year of its operation. Moreover, the total number of certificates issued has not increased by the number of County Court certificates; full employment and rising wages, the report suggests, are enabling more litigants to pay for their own litigation.

Perhaps a more realistic way of looking at the figures would be to suggest that inflation is making the ceiling figures for aid more and more penal. In any event, the cost of legal aid to the taxpayer is not increasing at anything like the rate of other charges upon him; and if he considers the matter as taxpayer rather than as social reformer this must be a cause of satisfaction to him. When, still poor after paying his surtax, he is sued by a man with less than £3 a week of disposable income he will doubtless take a different view again.

	Full Year's Working						
	1951–52	*1952–53*	*1953–54*	*1954–55*	*1955–56*	*1956–57*	*Totals*
Number of assisted persons' cases:							
Won	12,990	24,278	22,495	22,942	19,765	18,672	121,338
Lost	909	2,087	2,288	3,308	3,020	2,683	14,31[illegible]
Percentage won ..	93	92	91	87	86	87	8[illegible]
Grant-in-Aid: (£000)	260	920	1,075	1,275	1,375	1,395	6,300
Contributions by aided parties: (£000)	643	717	692	699	672	648	4,071
Costs recovered for assisted parties: (£000)	163	464	574	725	765	799	3,480

Investment Clubs

by DAVID W. MOATE, A.C.A.

THE last seven years have seen the investment club movement capture the imagination of the North American continent. Prior to 1951 the idea of investment clubs was little known, and it was in that year that three clubs in Detroit, Michigan, joined together in starting the National Association of Investment Clubs, U.S.A. Today there are more than 8,100 such clubs in America alone, and the movement has spread to Canada where it is organized under the auspices of the Canadian Association of Investment Clubs.

An investment club is a small group of friends or acquaintances, probably from the same office, factory, street or social club, etc., who agree each to contribute a regular saving to a common fund for the purpose of investment on the stock exchange. Some clubs have decided on other outlets for their money, and there is certainly one club on record which used its funds to purchase and maintain a race-horse which it ran with varying success for some years, but the normal object is of course to purchase stocks and shares. The contributions by the members are usually made on a monthly basis, and the amount is normally comparatively small. Between £3 and £6 per member is a reasonable monthly contribution for investment clubs in the United Kingdom.[1]

Size

The minimum number of members is determined only by the necessity to get in enough money each month to obtain the £40–£50 which is the practical minimum amount needed to make a purchase of stocks or shares on the stock exchange. The maximum membership is regulated by three main considerations. Firstly, too large a membership provides administrative and accounting headaches for the chairman, treasurer and any other officers of the club. Secondly, it is important that each member should be able to get to know well everyone else in the group so that the club can retain a free and uninhibited atmosphere, and lastly, it would prevent members from having a satisfactory share in the clubs discussions and decisions if there were too great a number participating in the activities. It would seem desirable that membership be restricted to a maximum of about twenty persons.

Educationally and socially there is a great deal of enjoyment and interest in participating in an investment club. It always remains to be proved, of course, as to whether these pleasures will be combined with financial profit for any particular club, but the basic theme of investment clubs is to provide a means whereby individuals can enjoy the feeling of close contact with the stock exchange at a comparatively low personal cost. No inhibitions arise in discussions amongst a group of friends, none of whom will be likely to be investment experts, and the opinions of every member will carry just as much weight as those of the next man.

Constitution

The constitutional framework of each individual club is a matter of open choice for the members. It could be decided to incorporate the club as a limited company or as a partnership with a partnership deed, but most clubs are simply joint-ventures based on a written constitution or set of rules. The objects of the joint-venture are to invest in stocks, shares and securities for the mutual benefit and interest of the members. This structure is the simplest and most practical arrangement for an investment club. There would certainly be taxation problems if incorporated as a limited company or a formal partnership, besides the statutory obligations and legal costs involved.

The constitution of an investment club sets out the basic rights and obligations of members and should be signed by all new members. It should be flexible in its context enabling the detailed rules for the administration of the club to be made by resolutions of the members as they find most desirable, but amongst the most important basic rules which should be included in the constitution are:

(*a*) that each member shall enjoy an unhindered right at all times to his equitable share of the assets of the club;

(*b*) that membership may be terminated at any time by any member, in which case he shall be entitled to be paid his share of the assets as soon as reasonably possible;

(*c*) that each member shall enjoy an equal vote in the decisions of the club;

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[1] The National Association of Investment Clubs, Great Britain, was recently formed as a non-profit making organization to promote the movement in the United Kingdom, and printed constitutions, accounting statements and advice are available to new clubs. The Association's address is 25–29 Coleman Street, London, EC2.

(*d*) that no member shall be recompensed for any services rendered to the club;

(*e*) that all members are prohibited from obligating or indebting any other members on any matter outside the affairs of the club.

An investment club formed as a joint-venture would not normally be considered to be trading and it is not therefore necessary to register any title given to the club with the Registrar of Business Names. Investment clubs do not, in fact, fall directly under any existing statute, but their structure has a significant interest to legal minds. They bring into very clear form the framework of a group of persons with common intent who nevertheless can avoid the legal implications of a full and formal partnership.

Modus Operandi

The basis on which a club arranges its affairs where outside parties are concerned, is for individual members to make any contracts personally and to be responsible to and be indemnified by the remaining members. There are, in practice, few outside contracts in which an investment club would be interested. The two most important are with stockbrokers and banks.

When deciding on a purchase of shares, the club deputes one or two of the members to hold them as equitable trustees on behalf of the remaining members. The stockbroker will need to be advised of the names of such nominee holders for his transfer arrangements. It keeps the arrangements on the simplest and most convenient basis if the same nominees are used for all the club's holdings.

It may well be considered desirable for the finances of the club to be passed through a separate bank account, and in this case the treasurer will be authorized to open an account in his own name, and he will be responsible to the club for its proper maintenance.

One of the basic features of investment clubs is that they provide a means for the individual to participate in direct purchases and sales on the stock exchange at a low cost. There are, of course, risks involved in such investments and nobody should hazard their life's savings in an investment club. The individual's subscription should be a 'marginal' saving, after he has provided for normal savings, and if there is no margin left after making such provision and paying his ordinary living expenses then he should not indulge in participation in an investment club. It would not be fair to himself or any dependants to do so, and it would also be unfair on the other members if they were to realize that any decrease in the value of the club's funds would cause him serious worry.

It is usual for investment clubs to reinvest any dividends or profits received, as the object is to build up the total fund as quickly as possible. For accounting purposes it is the net amount of the dividend which is entered in the books by the treasurer. At the end of each income tax year the dividends received during the year are listed and each member is given a sub-certificate showing his share of the total gross figure for the year and the amount of tax deducted at source. These sub-certificates are signed by the persons in whose names the shareholdings were registered.

The accounting procedure for members' capital accounts at any given date is to ascertain the amount in each account by adjusting for contributions and any drawings since the date of the previous accounting statement. The assets of the club, including cash, are listed and valued and the amount of any overall increase or decrease is divided and transferred to each account in the ratio of their proportions to each other.

Taxation

Although there is always the possibility of a decrease in the value of the club's portfolio of investments, there is equally the chance of profits, especially in times of inflation, and the burning question is whether these might become liable to tax. The Inland Revenue will not give an advance decision on hypothetical cases and no definite indication can be given as to what will be the Board's attitude to investment clubs in the United Kingdom.

The answer may well be a question of degree. The Revenue have not assessed individuals on any profits made through dealings in the stock markets. Leaving everything else aside there are many reasons why this is impracticable. If profits were to be assessed there would certainly be many loss claims put forward. There would be many arrangements made by taxpayers to avoid liability and the Revenue might well be faced with a net loss. The administrative costs would be very high, and there are in any case arguments in favour of the taxpayer that any profits are of a capital nature in that dealings in shares are merely efforts to protect and maintain the income therefrom to the best of the investor's ability. The practical answer in dealing with investment clubs may lie in treating them in the same manner as individuals providing that they act in the same way as they could do unhindered as individuals and providing that, as a group, the club does not engage in any extraordinary activities.

Scientific Management and Training

by C. G. LAMBERT, B.A., B.Com., A.C.A. (Ireland)

MANAGEMENT may be defined in simple words as the process of planning, organizing and directing the actions of a group of people to achieve a desired objective. In this broad sense it is one of the world's most ancient occupations. There have been active and dynamic personalities for many centuries who have managed their business in a successful way. In those former times, there were no scientific aids in the modern sense, and even the natural sciences were looked upon as natural philosophy. The development of modern experimental physics and chemistry as natural science resulted in the conversion of heat into power, and enabled the rise of the industrial age. Such success encouraged man to apply the methods of exact measurement to other fields of human work, and gave rise to the phrase 'applied science', which is no more than the application of pure science to particular classes of problems. It consists of deductions from these general principles, established by reasoning and observation, which constitute pure science. No one can safely make these deductions until he has a firm grasp of the principles. It will be obvious then, that management is a science which closely relates the use of analytical thinking to the valuation of exact measurements of human work in industry.

With some critical insight into the affairs of the time an American philosopher has christened our epoch that of 'the managerial revolution'. Whilst on this side of the Atlantic a French philosopher thinking to define the dominant character of technology at different periods, has said:

> 'Whereas the eighteenth century was the age of coal, and the nineteenth century the age of steel, these two venerable industries are now past their prime though not yet ripe for retirement, and have already given way to the age of electricity. We may perhaps ask whether in historical perspective the principal landmarks of our own era will appear to be the development and even the predominance of that youthful skill which we call scientific management.'

Meaning of Scientific Management

This term scientific management is obviously more than a slogan. Many associations in all industrialized countries around the world are eagerly promoting it. There is a consensus about the fact that scientific management cannot only be a useful means in managing industrial firms, but that its application is necessary and helpful in other branches of the business world as well as in public and local administration.

In many countries, time and work study and accounting methods are looked upon as the main fields of scientific management in which training of personnel is considered possible and useful. However, it should be remembered that the most refined and detailed work analysis and the most complex use of electronic equipment does not of itself constitute scientific management. It is of a mere vocational character, however scientifically devised the tools and methods may be. Scientific management does not only consist of a batch of methods, principles and tools, but also in the attitude of the manager towards his daily problems as well as towards his long-term planning. In other words he must realize that he lives in a human world full of human problems and responsibilities, and not in an isolated world of scientific controls and balance sheets.

Until recently, many a successful manager when asked for the reason of his success would not admit that he had worked at organizing his business in a scientific manner. He would say that he had learned it the hard way or that he was born a manager. So many managers have the 'know-how' but thay have not the slightest idea about the 'know-why'.

Three Stages

Following the great discoveries in the natural sciences towards the end of the Middle Ages, science has always been connected with a set of steps to be taken in the solution of a problem, and so we come to the three steps of scientific approach:

(1) The collection of facts;

(2) the analysis of facts collected;

(3) the combining of ideas and incentives conceived from the first two stages to provide a useful generalization or formula.

Taking the first step, a scientist will never rely on his own opinion or belief, but the opinion or belief of others may constitute the facts, from which the further steps to be taken in scientific work must be derived. The collection of facts has a wide difference in aspect according to the work undertaken.

In the natural sciences, experiments will yield the facts. In the liberal arts, facts may be gathered by investigating the customs of some indigenous group in Asia or Africa, or by testing the word capacity of a language. In management problems, facts may consist in the number of consumers to be expected for the goods to be produced, the climate in the workshop or the trend in prices of raw materials.

The collecting of facts may include the use of exact mathematics as well as that of statistics. The part the experiment plays in the natural sciences will often be superseded by the questionnaire in management

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The substance of a paper presented at the annual conference of The Institute of Chartered Accountants in Ireland on May 2nd, 1958.

problems, but the questionnaires are as useful as scientific tools as the test-tube is to the chemist. Thus the term scientific management should imply that the whole work of the manager is based on facts.

The mere collection of facts, however, will be of little value: statistical data thoroughly collected and neatly compiled in tables, diagrams and graphs, may constitute no more than a cemetery of figures. A second step of scientific activity must follow the first step of collection; the facts must be analysed. Analysing the facts does not only mean the grouping of the figures in appropriate interrelations, but also a thorough investigation into the link of causes and consequences.

Attributing weights to facts or groups of facts, evaluating the accuracy of the figures won in the process of experiments or interviews, ask for judgment of the scientific worker whether he is engaged in nuclear research or in sociological study. Whereas almost everybody will be able to collect facts without using judgement, the analysis of them is certainly bound to the abilities a man must be born with. Such abilities may be developed in the process of forming a manager, they cannot be implanted in a man who does not possess them. Almost everybody who masters the three R's will be able to compose the mosaic of figures necessary for a balance sheet, but the scientific analysis of this balance sheet asks for more than just horse-sense.

Application after Analysis

Even the most elaborate analysis of collected facts or figures will not result in the formation of a philosophy or theory if it is not followed by the third consecutive step of scientific work. This is that the ideas and incentives conceived from the analysis of collected facts must be combined into a useful generalization, into the fixation of a formula or a law, the application of which will be helpful in the solution of other problems. This holds for Ohmn's law in electrical engineering as well as for the tools and hypothesis of political economy. It does not matter whether the combination of analysed facts leads to commonly useful generalization, which in the language of the scientist would perhaps be called hypothesis, or to the establishment of hard and fast rules fixed in a system of laws and theorems.

It seems therefore that the outline of management as a science becomes more and more visible as the development of managerial tasks in an ever-changing world goes on. We must accept that a certain number of principles and methods of scientific management exist. They may yet be incomplete, and they may be subject to corrections in order to adapt them to the quickly changing conditions of the human life in the always broadening field of the natural sciences on which technology is based, as well as the always deepening demand of man for higher comfort and a higher standard of living.

The important task which clearly separates the manager from the scientist is that the scientist may be satisfied with looking at the building of the theory he has erected.

With the manager now rests the problem [illegible] making his decisions and of realizing the knowledge collected from the three preceding steps into a practical application in business, production, the rendering of services or any other kind of business activity. The collection of knowledge is an end in itself for the scientist. For the scientific manager it is just a beginning of his real business.

Complexity of Management Problems

Management was perhaps an easy task when business consisted of importing silks from China, or spices from the West Indies, although we are perhaps too inclined to underestimate the difficulties of doing business in those times, because we do not know what the difficulties actually were. But all of us will agree that the problems with which management have to cope nowadays are becoming more and more complex. We are sometimes under the impression that they are not only growing, but that they are ever changing, at least from year to year or perhaps from week to week. More and more branches of science claim that management should at least know the basic principles of their special area, because their results bear so much importance on business problems.

Thus the manager is confronted with a many-sided, variegated set of demands which are superimposed on the already difficult enough problem of managing his firm. To be correct, however, we must concede that if he would know the basic principles of such sciences, the jungle of problems he has to fight his way through in his daily management routine would be more easily crossed than is done at present. We all know that there are certain principles of physiology, psychology and sociology no manager can violate without seriously endangering the success of his business. We can be sure that there are methods based on the fundamentals of such existing principles which will ease our work in applying such principles if we will only learn these methods, and thus be in a position to advise our subordinates to use them in the proper way.

Having come to the realization that certain basic principles do apply to the function of management in all fields of endeavour, it becomes obvious that these principles must be imparted through education and training, to prepare for and supplement their application in practice.

We now begin to see the subject and study of management joining such worthy and established professions as accountancy, law, medicine, engineering, etc., with its own institution of learning, i[illegible] professors and textbooks, its national and international associations, its rapidly expanding seminars and training courses. This brings me to the second part of this paper – the basic training for managerial personnel.

For the first half of this century the accountancy profession has provided the best training for managerial positions and for coping with a business career. The wide selection of subjects which have to be learnt in order to pass the Institute examinations, and the experience gained in the practising accountant's office, have been recognized throughout the world as the basic training for those most likely to succeed.

Basic Training

It may seem difficult to determine the most appropriate background education for managerial personnel. The training facilities in various countries are so different in their nature, in their teaching methods and their educational aims, that it is almost impossible to define clearly specific modes of education. Terms like school of commerce or university can have different meanings in different countries, and sometimes the term 'university', for different institutions in the same country, does not imply the same professional status and the same teaching standard. However, writers on the subject of scientific management imply that it really doesn't matter. Successful managers and personnel working along the lines of scientific management can get their professional background from almost any type of university, college or school. It does not matter whether a student is made familiar with the scientific method of doing work in engineering, accountancy, law or medicine. The procedure will always follow the three steps pointed out in the previous section of this paper. Anybody who has learned his lesson in some basic science will be able to apply his knowledge in managerial work if he has got the inherent qualities of a manager in being able to realize the general conclusions to be drawn from scientific investigation of a situation or process. This is why men without any conventional scientific training as a background to their career may become successful scientific managers by learning the laws and rules in the hard way of practical experience or by the costly method of trial and error. In order to avoid unnecessary failures, however, in business management, it is obviously preferable to provide a scientific training for as many managers as possible.

It is therefore desirable, whatever vocation or profession is chosen, that scientific training in management should be a subject of prime importance. It has become a generally accepted fact that it is no longer necessary to be the son or son-in-law of the manager or owner of a firm to become a manager. Whereas in principle, any line of scientific learning constitutes a suitable background for a manager, most business managers in the field stem from institutes of technology (which include accountancy training), colleges of engineering, management business schools, or the corresponding faculties of a university.

The percentage of managers who have had some kind of university training has increased tremendously in recent years, and in fact in Great Britain it has reached the proportion of about 80 per cent. The number of those who have got all their scientific education by self-teaching is decreasing not only in the European countries, which conventionally rely more on schooling and training than the young nations. Even in the United States, the man who works his way up from shoe-shining or dish-washing business to the position of a bank manager or the president of a big industrial firm, scarcely exists any longer.

The necessity to include managerial problems in university curricula becomes more and more widely accepted. Universities of Europe, with an old tradition in the professions, have been more and longer reluctant to include management problems in their standard curricula than the universities and colleges of, for example, the United States and Canada, where at a relatively early date business management schools of university standing began to spring up.

In spite of this reluctance, there is a definite trend all round the world to include lectures and seminars especially devised for the preparation to managerial work for students of the pertinent faculties which have been pointed out above. As a general rule, however, the component part of managerial teaching is bigger in the schools of commerce than in engineering and other colleges. Here again we meet with the difficulty of defining what managerial subjects really are. Quite a number of subjects regarded as of a managerial character at schools of commerce, actually are of a merely vocational standard. Their aim is nothing but to make the student familiar with the vocational slang of some part of middle management occupation, and to convey upon him the skill to fill a position in this respective field, whereas under the same title some other training establishment may cover managerial subjects in the full meaning of the term scientific management.

In an engineering college, nobody will regard a lecture on machine tools as an enterprise directed towards managerial training, although it cannot be dispensed with for the production manager of almost any industry. Lectures in accounting or the like, are, however, mostly looked at as managerial undertakings.

Post-graduate Courses

The growing demand for scientific management training has led not only to the foundation of particular business management schools, but also to the institution of post-graduate courses superimposed on the standard curricula of many universities and institutes of technology. The curricula of such post-graduate courses are at a wide variance, but they are found in an increasing number in most countries and for a wide variety of faculties. The differences in the curricula are easily explained when taking into account that obviously a post-graduate course at an engineering college must cover more subjects of an economic character than that of a school of commerce, which on the other hand, when drawing up such courses will be more inclined to include engineering topics.

The main subject of these courses obviously is to widen the horizon of the student beyond the limit set by the vocational training within a faculty, even if the teaching is done on the academic level. A doubt may arise in the minds of some people whether any scientific training in management is worth while for the age group attending a university or college because of their lack of experience in managerial problems. There are some grounds for such doubt, but almost everybody admits that there is a definite advantage in conveying information on the principles and methods of scientific management to the student in younger years. He will be better off when the respective problems arise in his business career, even if he did not get the full impression of the meaning during his study period. The information he has got will come back to him and will enable him to apply better his general scientific background to a typically managerial function. Since the student has the full advantage of a complete scientific training when graduating from any college or university, the duration of the post-graduate course will always be far less than that of his basic studies.

Higher Management Courses

The demand of acting managers for improved training first became visible in the United States in the period following the First World War; acting managers in other countries, and particularly so in Europe, did not follow suit before the middle of the 'thirties. In some countries the demand for such additional training did not come into existence before the end of the Second World War.

In the post-war period in Europe, Great Britain has obviously pioneered in this field. The work certainly got into full swing with the Urwick report and the foundation of the British Institute of Management. The Urwick Committee was appointed by the Ministry of Education and issued a report on education for management in 1947. The report recommended that professional associations should include in their syllabuses as large a management content as possible, and should confine specialized demands to the essential minimum. Following the visit of a specialist team to the U.S.A. in 1951, the Anglo-American Council on Productivity issued a most comprehensive report on education for management which has had a widespread influence on British industry.

Universities and colleges all over the world now offer extension courses, summer conferences or the like, specially devised to promote the knowledge on the principles and methods of higher management, and destined not for students but for acting managers.

A brief reference to the Oxford Business Summer School will help to illustrate the extent of such courses. This course is run by a committee composed of members representing industry and the university, who are authorized to organize the summer school under the general control of the Oxford University Appointments' Committee. It is a residential course in one of the colleges comprising four weeks of intensive study. The course is planned under four main headings:

(1) *The basic structure of industry*, including the organization of the firm, relations with trade unions, the function of trade associations and industrial finance.

(2) *Some management techniques*, including selection and training, problems of production, consultations – formal and informal – industry and the law.

(3) *The economic position of the United Kingdom*, basic economic concepts, and the background to Britain's economic position and present economic problems.

(4) *The role of the manager* under present-day conditions.

This type of course can be a tremendous help to a business career. Following on from university and/or professional training after gaining practical experience in industry for some years, it provides the opportunity to refresh one's mind and to reassess one's own work and experience in the atmosphere of a university. By so doing it is possible to see more clearly the part which one's former learning and training plays, not only in the firm itself, but in the larger world outside. Such a course can be a vital and stimulating experience; it promotes an increased mental alertness and a willingness to accept new ideas, operating against the perpetual pull of habit and inertia.

The work of managers, impinging as it does on the lives of employees and on the public in general, demands more than a purely technical or specialist approach. The Oxford University Business Summer School was not formed just to teach more efficient management, but to implant in the mind of the student an understanding of the place of industry in the life of the community.

Despecializing Specialists

The necessity for higher management courses cannot be too firmly stressed. Most men who reach a position in middle management can look back and find they have become specialized, not only by their university training, and/or their professional training, but still more by their activity in their early years in a middle management position. One might even say that the scope of subject-matter they really master has, in some cases, been narrowed by their practical routine work. It is often said that a period of five to ten years' work with the same firm makes a man wear blinkers. The field of management is rather broad; this is in contradiction to the narrow field which the middle manager has got to know and to reduce his knowledge to. In his practical activity he becomes a specialist, a man who knows more and more about less and less.

The object then of these higher management courses is to despecialize specialists, and the curriculum is usually chosen to suit the strata from which the managers are selected to attend such courses. The ideal course is one in which the curriculum can be devised in such a way as to announce that the course is considered to be suited for accountants, production engineers, research workers, chemists, and welfare personnel; and the Oxford University course is planned to approach this ideal, because, not only are students selected from every branch of industrial management, but the teaching and lectures are given by professors of the highest academic level as well as by top managers in British industry, on the widest variety of subjects.

There is a positive response in some countries to courses, but in others we find that, although the managers when interviewed will eagerly confirm that there is a need for scientific management training, they will normally be inclined to say 'Oh! that is entirely impossible' when asked how many of their middle and upper management employees they want to be trained. This strange reaction asks for some explanation. The main reason seems to be that the responsibility of management rests with too small a group. Thus the manager himself overburdened and overstressed by daily routine has not learned to delegate to appropriate subordinates, and refuses to send prospective managerial employees to courses fearing that the stress put on him will be still heavier during the time the man is absent. It is useless to state that such a manager is narrow-minded and short-sighted because he does not recognize that part of his almost unbearable burden will be taken from his shoulders in the long run.

Breaking Resistance to Training Courses

There are, however, still more reasons for the reluctance to respond to courses offered, reasons which have obviously been overcome or have never existed in the United States of America. They have perhaps best been expressed by Sir Winston Churchill who once said 'I like to learn but I hate to be taught'. Another reason for the reluctance of many middle managers to participate in courses is they are reluctant to admit that they *do* need promotion and further training. They are afraid that if they admit that they do not know all they should know, they will lose their sheltered position. Such resistance must be broken down in two ways, firstly the manager must be convinced that his job will be permanent, in other words he needs security – and secondly, that his boss is interested in promoting him because he wants not only good but always better executives. It is the responsibility of a boss to create the feeling within the employee, who is to be trained, that this is done with a view to promoting him within the framework of the firm, and that only good executives get such promotion. His reluctance to go on a course will then melt away.

However, in practice, a great deal of prejudice and reluctance is being broken down by training within industry which is the application of scientific management principles to job relations, job instructions and improved methods as part of supervisory duties in any well organized industrial concern.

In a similar way, within the framework of a firm, when an employee is appointed as a member of a management team or conference he must be made to feel that his abilities have been recognized. The right approach is particularly important to encourage younger managers to take the place of those liable to retire.

I must make one observation here: it is an unanimous feeling that at least five years' practical activity after graduation from university or qualification from a profession should have proved that a man is worthy of further management training, this period never goes beyond ten years.

Another problem that arises is the number of managers to be trained. In some industries it may be as low as one in a hundred employees, whereas in the highly specialized electronic industries the number of engineers already outbalances that of the production workers. This points an indication of future trends as automation progresses.

Teaching Methods

The case method so successfully introduced by the Harvard Business School after the First World War has certainly earned a reputation; it is widely accepted and applied in the United States. It is supplemented, of course, by lectures and seminars, which are the conventional teaching methods of European schools and universities. In most European countries, however, the case method has been introduced to business management education following the pioneer work of the Americans.

The incident method, using live cases instead of dead ones, from the files, is still under development and promises to be perhaps more effective than the case method, although its real merit cannot yet be evaluated.

The syndicate method, which may be explained rather by the term of teaching one another than by the term of self-teaching, can be successfully applied only when a thorough selection from a big reservoir of applicants for a course has taken place before the start of the course.

If the syndicate, however, can be composed in such a way as to include one man from every branch of science, as well as one man from every vocational activity in one syndicate, and if the background education of the students is sufficiently high, the method can be extremely useful.

It is the syndicate method that has proved the success of the Oxford University course. Although there are many lectures on general and particular themes, half the work of the school is done in syndicates of ten members under the general guidance of a tutor. The ten students in each syndicate may represent a cross-section of industry, for example – an accountant, an engineer, work study manager, dispatch manager, chemist, sales manager, buyer, a company secretary and a welfare officer. The tutors bring to the techniques of syndicate discussion, case-studies and conferences, a discipline of mind and reasoning that is associated with a university.

Even in those countries where, for traditional reasons, the lecture is still the preferred method of teaching in business management courses, discussions will never be dispensed with. Thus even lectures in such courses take the form of seminars, of an exchange of experience not only between the lecturer and the student, but between the students themselves. In this way it is perhaps very difficult to discriminate between the lecture method, the seminar method, the discussion method, and the panel group. Business management education is a mixture of all the possible methods known.

Three further points of consideration for managers who attend higher management courses are (*a*) the age group of such courses; (*b*) duration of courses; and (*c*) number of attendants.

The average age of those attending courses in North America is about 40, that in other countries 35, which is further evidence that American managers are more willing to attend courses at an even higher age than managers in the rest of the world.

Conclusion

At the International Congress on Scientific Management, held in Paris in June 1957, it was pointed out that whatever the variety of types and forms under which business management training is taking place in different countries, there is much uniformity throughout; in fact one of the lecturers at the Congress gave the following definition, he said:

> 'The basic idea of scientific management consists in that the management of a firm is based on a universal model, including all the elements and functions of the business, and that the special task of management is to devote the necessary amount of attention to all these functions and elements in planning, control and practical accomplishment.'

There is one further observation that it is necessary to make and that is, for a man to make a success of his scientific training in management, he must possess inherent qualities and potentialities. Through training and education he becomes a better manager. But not everyone can become a manager in the same way that not everyone can become an artist. A manager must be able to handle the work of men and make his collaborators really keen to perform their task.

Weekly Notes

The Association's Examination Results

IN the June 1958 examinations of The Association of Certified and Corporate Accountants a total of 1,926 candidates sat, of whom 792 were successful.

In Section I of the Final there were 602 candidates, of whom 192 (31·8 per cent) passed and 410 failed. The First Place and Prize were won by Mr W. Detheridge, of Wolverhampton; the Second Place by Mr W. J. Fleming, of Ardrossan, and the Third Place by Mr C. Slomovic, of London.

In Section II, there were 394 candidates, of whom 160 (40·6 per cent) were successful and 234 failed. The First Place and Prize were won by Mr B. Flitter, of London; the Second Place by Mr B. W. Heath, of Coventry; and the Third Place by Mr J. R. Gillingwater, of Hull.

There were 760 candidates for the Intermediate examination, of whom 354 (46·6 per cent) passed and 406 failed. The First Place and Prize were won by Mr R. T. Berryman, of Penzance; the Second Place by Mr B. Fisher, of London, and the Third Place by Mr D. F. Holland, of Watford.

The names of the successful candidates in Sections I and II of the Final, together with a full summary of the results, appear elsewhere in this issue.

Schedule E: Subscriptions to Professional Bodies

SECTION 16 of the Finance Act, 1958, provides that, subject to certain conditions, employed persons and holders of offices may be given income tax relief for subscriptions to professional bodies, learned societies, etc., which have been approved for the purposes of the section by the Inland Revenue. The Revenue may approve any body of persons not of a mainly local character whose activities are carried on otherwise than for profit and are solely or mainly directed to all or any of the following objects:

(*a*) the advancement or spreading of knowledge (whether generally or among persons belonging to the same or similar professions or occupying the same or similiar positions);

(*b*) the maintenance or improvement of standards of conduct or competence among the members of any profession;

(*c*) the indemnification or protection of members of any profession against claims in respect of liabilities incurred by them in the exercise of their profession.

Any professional body, learned society, etc., which desires to seek approval, and has not already done so, is invited to apply immediately for form P.356 to the Chief Inspector of Taxes, Room 110, New Wing, Somerset House, London, WC2.

New Form for Surtax Appeals

A PRINTED form of letter for the use of accountants in giving notice of appeal to the Special Commissioners against surtax assessments is being introduced this autumn. It is numbered 190 S.C. and is on the lines of the income tax Schedule D appeal form No. 64–7. It is to be distributed on requisition through district income tax inspectors under the same arrangements as apply to that form. Printed on light blue paper, to distinguish it from form 64–7, it will be supplied in duplicate so that accountants can keep copies. Of course the use of the form is not essential to the making of a valid appeal.

General Commissioners of Taxes

A SIGNIFICANT amendment to the Income Tax Act, 1952, has been effected by the Tribunals and Inquiries Act, 1958, which received the Royal Assent at the beginning of this month. The main object of the new Act is to implement some of the recommendations of the Franks Committee but Section 7, which was added at a late stage in implementation of a promise made during the committee stage of this year's Finance Act, contains changes in the method of appointment and the qualifications of General Commissioners. The existing law as to appointment was extremely archaic while the property qualification prevented many highly suitable persons from performing voluntary work in this important field. Under Section 7 (1) vacancies on bodies of General Commissioners which would have fallen to be filled by persons named on lists drawn up by the Land Tax Commissioners will, as from a day to be appointed, be filled by the Lord Chancellor. Under Section 7 (2) the very onerous property qualifications of General and Additional Commissioners are abolished forthwith. Moreover, provision is made for payments to General and Additional Commissioners by way of travelling allowance or lodging allowance, on a scale to be determined by the Treasury.

Building Society Secretary Replies

MR GEORGE CARLTON, managing director and secretary of the Blackpool Building Society, has sent a letter to the shareholders in which he replies to adverse comments made against him in the interim report of the inspector appointed by the Registrar of Building Societies to examine into and report on the Society's affairs.

In his letter, Mr Carlton says that the recent interim report made certain adverse comments against him which were totally unjustified. 'The procedure adopted under this type of "Star Chamber" inquisition does not allow for any comments which may be made by me, and it is for this reason that I am writing to you. . . . No investor applied for the investigation, nor has the investigation shown any misconduct by me in respect of the society's funds, which are all intact.' Mr Carlton alleges in the letter that before he was appointed secretary in September 1953 an order was made by the Registrar under the Prevention of Fraud (Investments) Act, 1939, which had the effect of preventing the Society from advertising for investments. He had constantly endeavoured to obtain revocation of this order without success. 'Indeed, every frustration has been placed in my way by the Registrar to prevent the society from continuing its normal functioning.'

During the years he had acted as managing director, he had not taken any director's fees whatsoever, nor any remuneration 'but no mention of these facts has been made by the inspector in his report. The report deals in detail with two matters in respect of the accounts. The preparation of the society's accounts was always left to its professional auditors and I personally never made any entry in the books of accounts of the society. If, indeed, the auditors have thought that items set out in the 1956 accounts were not jully justified it was their duty to bring this both to your and my attention.'

In his report which was published by the Stationery Office on July 8th (see *The Accountant*, July 19th), Mr A. Vollmar, Assistant Registrar of Friendly Societies, stated that it appeared to him that Mr Carlton 'is not a person who ought to be left in any control of a building society'.

The Registrar has called a special meeting of the Society for August 25th in Blackpool.

Bank Rate at 4½ per cent

THE reduction in Bank rate to 4½ per cent on August 14th, though it caused no surprise, was nevertheless notable as being the first reduction to be made in the month of August, a period of seasonal strain for sterling, since 1925. It brings the rate to its lowest level since February 1955 and has been received as an indication that the Government do not expect sterling to be subject to heavy strain during the next few months.

Three main factors have contributed to the strength of sterling this summer, a substantial improvement in the balance of trade, restriction of wage increases to an average of about 3 per cent and the weakness of the dollar. The last factor has tended to strengthen the majority of European currencies, many of them to an even greater extent than sterling. But these favourable factors are not the whole story and the reduction must also be regarded as a further step in the Government's policy of slowing down the rate of decline in business activity particularly in the capital goods sector, along with the recent increase in initial allowances and the relaxation of the credit squeeze.

There has been some speculation as to whether the move to 4½ per cent is likely to end the series of reductions from the peak level of 7 per cent. It has been pointed out that the trend of interest rates abroad is still downwards, with the exception of the U.S.A. where in spite of the industrial recession there is renewed fear of inflation; and also that the rate in London is still higher than elsewhere. On the other hand there are still a number of important wage claims outstanding including those of the engineers, shipbuilders and dockers, and further demands by the railwaymen and miners. If, however, these can be settled on a moderate basis the stage may be set for a further reduction in Bank rate in the not too distant future. The decision of the Halifax Building Society to lower interest rates to borrowers may indicate that they now expect a period of relative stability in interest rates.

Clerks in Clover

SINCE 1956, the salaries of male clerks in the United Kingdom have risen between 12 and 16 per cent. The corresponding increases for female clerks range from 11 to 13 per cent. As, according to the Ministry of Labour index number, the wage rates of manual workers rose by just over 11 per cent in broadly the same period, office staffs for once, even without the benefit of powerfully organized unions behind them, seem to have been more successful in selling their labour than their counterparts in the factories. It does not follow, however, that this position will necessarily become stabilized. By 1962, the number of school-leavers entering the labour market will have increased by about 50 per cent on the 1957 figures so that scarcity value should no longer be a factor in determining salary scales, at least among junior clerks.

These and many other interesting facts and inferences are contained in a salary survey – the eighth of its kind – just published by the Office Management Association.[1] The tables are so designed as to give separate data for males and females, each divided into six grades of work responsibility. The statistics cover first the returns as a whole. The same information is next rearranged according to geographical locations and then industrial occupations and, finally, comparative salary scales are given for Government and other large organizations.

Among male clerks, the highest earnings are in those areas where the engineering, shipbuilding, food-processing and chemical industries are prospering and where a healthy export trade exists. Clerks in Merseyside are being paid up to £2 per week more than the national average. Greater London is a lowly fifth (out of seven areas) with all grades below the national average. Of the geographical variations within Greater London, the West End is the best paid area, with the City an indifferent second. Among females, the position is rather different. Nationally, Greater London is top of the list with, surprisingly, Merseyside last. Within Greater London, the best female rates are obtainable in the City with the West End a good runner-up.

For the first time since the inauguration of this useful survey in 1942, the salary grades of some top-ranking clerks have reached the £1,000 per annum level. Twenty years ago this might have been attributed to exceptional skill or, more likely, to executives masquerading as clerical workers. Ten years ago it might have been indicative of the scarcity of labour. Today, it aptly illustrates the progress of inflation and the consequent unreliability of money as a standard of comparative historical measurement.

Finance Act, 1958, Section 21

IN a leading article in last week's issue we referred to an amendment which was made on July 15th to what is now Section 21 (4) of the Finance Act, 1958, the section which was passed in order to close the gap revealed by the House of Lords decision in *Saunders v. C.I.R.* (36 A.T.C. 181). We should perhaps have reminded our readers that the dispensing provisions of subsection (4) are still confined to settlements executed before April 16th, 1958. The exemption for settlements made on the breakdown of a marriage is confined to settlements which would otherwise be caught by Section 404 (1) of the Income Tax Act, 1952, i.e. to settlements providing for covenanted payments.

Control of Government Spending

TWO official reports, published last week, criticize respectively over-spending by certain Government departments and the methods available to and employed by the Treasury in exercising control over Government expenditure.[2] The first, by the Committee of Public Accounts, expresses 'serious concern' over the extensions and modernization of the Radcliffe Infirmary, Oxford, now expected to cost £1,400,000 instead of the original estimate of £434,000 and blames the governors of the hospital, the University of Oxford and the Ministry of Health. The Committee also, with a wide sweep and fine impartiality, censures among others the Ministry of Defence for maintaining a staff of 100 at the Hertford Hospital in Paris when on an average only fifteen of the sixty beds are occupied, the Commissioners of Crown Lands for buying in the leases of, and then keeping empty, houses in Cumberland Terrace, Regent's Park, and the Post Office for adding 5 per cent profit to the amount brought into charge for running the Premium Bonds scheme.

The fire of the Select Committee on Estimates, in the other report, is directed against the Treasury. It considers that in recent years supplementary estimates 'which can destroy effective budgetary control both of the nation's economy and of Government expenditure' have been too willingly accepted by the Treasury as a natural feature of Government finance. How often the costs of policies and major projects are underestimated is difficult to determine without access to Cabinet papers but the little evidence obtained is apparently disquieting. The Select Committee suggests that a small independent committee should be set up to investigate the theory and practice of Treasury control of expenditure. It also recommends that more regard should be paid to the advantages of associating professional and technical experts with financial decisions. Reliance on laymen in sanctioning expenditure on highly specialized projects may expose the Treasury to the risk of being 'blinded with science'.

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[1] *Clerical Salaries Analysis, 1958.* Office Management Association Limited, London. 42*s.* net.

[2] *Third Report from the Committee of Public Accounts,* Session 1957–58. H.M.S.O. 1*s* 6*d.*

Sixth Report from the Select Committee on Estimates, Session 1957–58, Treasury Control of Expenditure. H.M.S.O. 2*s.*

While there appears, from the report, to be a prima facie case for urging tighter control by the Treasury, both in allocating money and afterwards seeing that it is properly and economically extended, the whole position has not yet been put before the public. The evidence submitted to the Select Committee on Estimates has still to be published and until this has been done, and until the Treasury and the other departments concerned have had a chance to express themselves, it would be premature to form a final opinion as to the nature and extent of any reforms which may be necessary.

Finance and Commerce

Writing Down Stocks

THIS week's reprint shows the accounts of Patons & Baldwins Ltd, whose fortunes are closely bound up with wool. This year, fortune has not been too kind and it has been necessary to write down stocks by over £2 million.

Mr J. S. Bullimore, the chairman, points out that processing from the raw wool bought in the world's primary markets, right through to the finished yarn, necessarily involves the carrying of large stocks of wool, tops and yarns and that fluctuation in the prices of these commodities are the main risks of the business. In the group's trading year 1957–58, raw wool prices fell on average by some 30 per cent with the result that it has been necessary to provide over £2 million to write down stocks to market value.

In view of the size of this figure, the board thought it wise to show it separately and the item can be seen deducted from the opening surplus brought into the consolidated profit and loss account. Before this exceptional deduction, it is pointed out, the surplus stood at £3,564,725 compared with £4,927,194.

Clearly, says Mr Bullimore, in the face of the need to provide over £2 million for the write-down of stocks, the other figures which appear in the group profit and loss account are somewhat academic.

The Dividend

Had it not been for special circumstances relating to profits tax, says Mr Bullimore, the board would have recommended a final dividend of 10 per cent to make a total of 12½ per cent for the year, against 15 per cent. There is no blinking the fact, he says, that for various reasons the textile trade has been, and still is, passing through an uneasy time. Current year home and export sales are below last year's figures, despite lower selling prices which the fall in raw wool has made possible. In these circumstances and in the light of the figures disclosed by the accounts, the board considers it would be out of touch with current conditions to make a higher distribution.

In fact, however, the final dividend recommended is 2½ per cent to make 5 per cent for the year: the reason for this is particularly interesting.

Apart from the trading position, the directors have also had in mind the provisions of the new Finance Act which, in abolishing the higher rate of profits tax on distributed profits as from April 1st, 1958, provides that the higher rate shall still apply to dividends in respect of periods up to that date and where these are lower than for the previous year and the amount distributed is less than three-fifths of the profit of the year as computed for profits tax purposes, a notional distribution will be deemed to have been made.

Taxation

In these circumstances, it is pointed out, to distribute for the year to May 3rd, 1958, a sum in excess of profits so computed, would attract a liability to profits tax which would not otherwise arise.

The directors add that they have at the same time considered the position of the group for the year commencing May 4th, 1958, in the light solely of the amount of £748,244 to be carried forward on the profit and loss account and have declared a special interim ordinary dividend, for the year commencing on that date, at the rate of 7½ per cent which will be paid, together with the proposed final dividend, making the total payment 10 per cent.

Continuing on the subject of taxation, Mr Bullimore points to the unusual aspect of the figures in the accounts where charges for Dominion and British taxes, including profits tax, totalling £451,793 have been offset to the extent of £415,579 by over-provision for taxation in past years coupled with refunds of taxation over-paid or by reason of trading in certain countries.

Such a position, he comments, is indeed welcome in a year in which the picture would otherwise look somewhat bare.

Labyrinth

In such a company as this, with its wide interests in the Commonwealth and abroad as well as in the United Kingdom where in the last ten years very substantial sums have been spent on capital development, the tax liability can be extremely complicated.

Mr Bullimore points out that delay in the agreement of liabilities with the tax authorities necessarily involves prudence in the estimates made when the company's annual accounts are prepared, and as progress is achieved with the final agreement of liabilities, any over-provision in a particular year is released and flows back to profit and loss account.

Of the £415,579 credited this time, £380,000, he says, comes from tax provisions not required for, and taxes repayable on account of, earlier years. The past ten years, he adds, have seen the construction of the Darlington factory involving nearly £4 million in building work which houses plant and machinery costing more than that amount.

The breakdown of these substantial sums into their proper categories for purposes of capital allowances for taxation purposes – in particular, the extraction from the building construction account of expenditure which ranks as plant and machinery for tax purposes has – he says, been a lengthy operation.

During this period, the capital allowances available have been annual allowances, 'initial' allowances and 'investment' allowances and in both the latter cases the allowances have been increased, decreased and

PATONS & BALDWINS, LIMITED

BALANCE SHEET, 3rd MAY 1958

	1958			1957 Comparative Figures		
Fixed Assets	£ Cost	£ Depreciation	£ Net	£ Cost	£ Depreciation	£ Net
Land, Reservoirs and Buildings	5,375,681	1,747,793	3,627,888	*5,194,450*	*1,588,947*	*3,605,503*
Motive Plant, Plant and Machinery	7,914,947	3,191,325	4,723,622	*7,292,486*	*2,971,319*	*4,321,167*
	13,290,628	4,939,118	8,351,510	*12,486,936*	*4,560,266*	*7,926,670*
Trade Investment at cost			732,613			*703,893*
Subsidiary Companies						
Shares at cost		902,573			*899,827*	
Amounts owing by Subsidiaries						
Loan Account	1,075,697			*1,155,379*		
Current Accounts	375,519			*292,804*		
		1,451,216			*1,448,183*	
			2,353,789			*2,348,010*
Current Assets						
Stock-in-trade, as certified by officials of the Company		8,284,901			*11,523,688*	
Sundry Debtors and Bills Receivable	1,878,895			*2,114,427*		
Less: General Reserve	17,000			*17,000*		
		1,861,895			*2,097,427*	
Bank balances, cash, and short term deposits etc.		1,200,096			*310,873*	
			11,346,892			*13,931,988*
			22,784,804			*24,910,561*
Deduct: Current Liabilities						
Sundry Creditors		668,883			*1,209,729*	
Current Taxation, British and Dominion		1,454,871			*1,488,664*	
Bonus to Employees		96,478			*190,000*	
Proposed Ordinary Final Dividend		75,866			*379,332*	
			2,296,098			*3,267,725*
			20,488,706			*21,642,836*
Deduct: Future Taxation: Reserve for Income Tax 1959/1960			150,000			*1,485,000*
			20,338,706			*20,157,836*
Deduct: 4% First Mortgage Debenture Stock 1960/75			2,495,278			*2,515,162*
NET ASSETS ..			£17,843,428			*£17,642,674*
Represented by:—						
Share Capital		Authorised	Issued		*Authorised*	*Issued*
6½% Cumulative Preference Stock		1,359,447	1,359,447		*1,359,447*	*1,359,447*
4% Cumulative Redeemable Preference Stock		3,000,000	3,000,000		*3,000,000*	*3,000,000*
Ordinary Stock		5,277,658	5,277,658		*5,277,658*	*5,277,658*
Ordinary Shares of £1 each		362,895	—		*362,895*	—
		10,000,000	9,637,105		*10,000,000*	*9,637,105*
Reserves					*484,838*	
Capital On redemption of Debentures		504,722				
Revenue						
General	3,750,000			*3,750,000*		
Contingencies	3,100,000			*3,100,000*		
Pensions	110,000			*110,000*		
Profit and Loss Account	741,601			*560,731*		
		7,701,601			*7,520,731*	
			8,206,323			*8,005,569*
			£17,843,428			*£17,642,674*

For Notes see page 231

Signed on behalf of the Board
J. S. BULLIMORE } *Directors*
A. R. PROCTER }

in part suspended. In the past twelve months, Mr Bullimore says, progress has been made with these matters and with the agreement of the other outstanding points, leading to the freeing of £380,000.

What a pity it is that taxation is determined by politicians and civil servants who appear to have no realization of the labyrinth they construct and of the man-hours required to straighten out the tangle.

Correction

In last week's issue, under the heading 'In one Direction', Sir William Cash, M.A., F.C.A., chairman of The Neuchatel Asphalte Co Ltd, was reported as saying in his annual review: 'Stockholders will have become accustomed to seeing a deduction for taxation of not far short of the profits brought in. But this year the percentage is even higher.' It is regretted that the percentage mentioned by Sir William was inadvertently omitted, and the relevant phrase should have read: '. . . deduction for taxation of not very far short *of 50 per cent* of the profits brought in. But this year the percentage is even higher.'

Next Week's Reprint

The accounts of Canadian and English Stores Ltd will provide the reprint in next week's issue.

PATONS & BALDWINS, LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET, 3rd MAY 1958

	1958			*1957 Comparative Figures*		
Fixed Assets	£ Cost	£ Depreciation	£ Net	£ *Cost*	£ *Depreciation*	£ *Net*
Land, Reservoirs and Buildings	6,101,664	1,898,294	4,203,370	*5,707,317*	*1,730,714*	*3,976,603*
Motive Plant, Plant and Machinery	9,373,392	3,604,703	5,768,689	*8,236,459*	*3,328,576*	*4,907,883*
	15,475,056	5,502,997	9,972,059	*13,943,776*	*5,059.290*	*8,884,486*
Trade Investment at cost			732,613			*703,893*
Current Assets						
Stock-in-trade, as certified by officials of the Companies		10,283,203			*13,242,998*	
Sundry Debtors and Bills Receivable	3,180,938			*3,493,825*		
Less: General Reserve	17,000			*17,000*		
		3,163,938			*3,476,825*	
Bank balances, cash, and short-term deposits etc.		1,192,924			*557,281*	
Quoted Australian investments at cost (Market value 3rd May 1958, £68,460)		68,794			*340,668*	
Unquoted Australian short term investments at cost		—			*159,362*	
			14,708,859			*17,777,134*
			25,413,531			*27,365,513*
Deduct: Current Liabilities						
Bank Overdraft		300,463			—	
Sundry Creditors		902,413			*1,513,465*	
Current Taxation, British and Dominion		1,688,832			*1,795,795*	
Bonus to Employees		125,177			*247,213*	
Proposed Ordinary Final Dividend		75,866			*379,332*	
			3,092,751			*3,935,805*
			22,320,780			*23,429,708*
Deduct: Interest of outside stockholders in capital and reserves of a Subsidiary			1,280,351			*1,262,762*
			21,040,429			*22,166,946*
Future Taxation: Reserve for Income Tax 1959/1960			150,591			*1,485,000*
			20,889,838			*20,681,946*
Deduct: 4% First Mortgage Debenture Stock 1960/75			2,495,278			*2,515,162*
Net assets attributable to Patons & Baldwins, Limited			£18,394,560			*£18,166,784*
Represented by:—						
Share Capital of Patons & Baldwins, Limited		Authorised	Issued		*Authorised*	*Issued*
6½% Cumulative Preference Stock		1,359,447	1,359,447		*1,359,447*	*1,359,447*
4% Cumulative Redeemable Preference Stock		3,000,000	3,000,000		*3,000,000*	*3,000,000*
Ordinary Stock		5,277,658	5,277,658		*5,277,658*	*5,277,658*
Ordinary Shares of £1 each		362,895	—		*362,895*	—
		10,000,000	9,637,105		*10,000,000*	*9,637,105*
Reserves						
Capital On redemption of Debentures		504,722			*484,838*	
Revenue						
General	4,294,489			*4,254,648*		
Contingencies	3,100,000			*3,100,000*		
Pensions	110,000			*110,000*		
Profit and Loss Account	748,244			*580,193*		
		8,252,733			*8,044,841*	
			8,757,455			*8,529,679*
			£18,394,560			*£18,166,784*

For Notes see page 231

Signed on behalf of the Board
J. S. BULLIMORE } *Directors*
A. R. PROCTER }

PATONS & BALDWINS, LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 3rd MAY 1958

	1958		1957 *Comparative Figures*	
	£	£	£	£
SECTION I				
Depreciation		602,999		591,632
Directors' Emoluments				
For services as Directors as fixed by the Company's Articles of Association ..	3,592		3,633	
For managerial services including pensions scheme contributions	76,590	80,182	81,093	84,726
Pensions to widows of Directors		5,000		5,000
Debenture Interest (gross)		99,916		107,369
Bonus to Employees		122,207		236,814
Balance carried down		607,034		4,080,700
		£1,517,338		£5,106,241
SECTION II				
Taxation based on the income of the year				
Dominion		78,905		259,742
British				
Income Tax	227,334		1,514,402	
Profits Tax	28,672	256,006	111,675	1,626,077
Profits Tax on distributions to stockholders shown in Section III		116,882		270,003
Interest of outside stockholders in profits of a Subsidiary		71,503		156,696
Balance carried down		499,317		1,768,182
		£1,022,613		£4,080,700
SECTION III				
Transfer to General Reserve in accounts of a Subsidiary		39,841		185,923
Transfer to Capital Reserve on redemption of Debentures		19,884		239,100
Dividends paid and proposed, less Income Tax				
Dividend on 6½% Cumulative Preference Stock year to 30th April, 1958	50,809		50,809	
Dividend on 4% Cumulative Redeemable Preference Stock year to 30th April, 1958	69,000	119,809	69,000	119,809
Interim Dividend of 2½% on Ordinary Stock	75,866		75,866	
Proposed Final Dividend of 2½% on Ordinary Stock	75,866	151,732	(12½%) 379,332	455,198
Proposed transfer to General Reserve		—		750,000
Balance carried forward to next year				
Patons & Baldwins Limited	741,601		560,731	
Subsidiary Companies	6,643	748,244	19,462	580,193
		£1,079,510		£2,330,223

	1958		1957 *Comparative Figures*	
	£	£	£	£
Surplus	3,564,725		4,927,194	
Deduct: Amount required to reduce stocks of wool, tops and yarns to market value on 3rd May, 1958	2,140,105	1,424,620	—	4,927,194
Profit on redemption by purchase of 4% First Mortgage Debenture Stock	4,123		33,405	
Interest on deposits and other investments, including profit on sale	50,324		111,795	
Interest and dividends from trade investment ..	38,271	92,718	33,847	179,047
		£1,517,338		£5,106,241
Balance brought down		607,034		4,080,700
British and Dominion Tax reserves not required including taxes repayable		415,579		—
		£1,022,613		£4,080,700
Balance brought down		499,317		1,768,182
Balance brought forward from last year		580,193		562,041
		£1,079,510		£2,330,223

For Notes see page 231

Signed on behalf of the Board

J. S. BULLIMORE } *Directors*
A. R. PROCTER }

NOTES ON THE BALANCE SHEETS AND CONSOLIDATED PROFIT & LOSS ACCOUNT

1. **Mei Foong Worsted Mill Limited, formerly Patons & Baldwins (Far East) Limited.**
During the year the name of Patons & Baldwins (Far East) Limited has been changed to Mei Foong Worsted Mill Limited. No figures appear in the Balance Sheet of Patons & Baldwins Limited for shares held in Mei Foong Worsted Mill Limited or for the loan account created between the two companies as part purchase consideration, as in the opinion of the Directors, their inclusion would not be in accordance with the realities of the situation and would be misleading. Similarly, no figures for Mei Foong Worsted Mill Limited appear in the Consolidated Profit & Loss Account or Consolidated Balance Sheet.

2. **Dominion and Foreign Currency Assets and Liabilities.**
Current Assets and Liabilities in Dominion and Foreign currencies at branches oversea have been converted at the rates of exchange ruling on 3rd May, 1958. Fixed Assets have been converted at the rates of exchange ruling at the date of purchase.
For purposes of consolidation the Profit and Loss Accounts and Balance Sheets of subsidiaries oversea have been converted at rates of exchange ruling on 3rd May, 1958.

3. **Capital Expenditure.**
The Directors estimate that the commitments for capital expenditure at home and abroad of Patons & Baldwins Limited are in the vicinity of £246,000 (1957 £354,000) and that the similar commitments of the group as a whole approximate to £396,000 (1957 £875,000).

4. **4% Cumulative Redeemable Preference Stock.**
The Company has power to redeem all or any part of the 4% Cumulative Redeemable Preference Stock on or after 30th April, 1959, at the following rates:—

Between 30th April, 1959 and 30th April, 1969 at	22s. 0d. per £1 Stock;
Between 1st May, 1969 and 30th April, 1979 at	21s. 6d. per £1 Stock;
After 1st May, 1979 .. .. at	21s. 0d. per £1 Stock.

5. **4% First Mortgage Debenture Stock 1960/75.**
The Debenture Stock is secured by a charge on assets of the Company. Under the terms of the Trust Deed the Company must set aside annually, in addition to interest on outstanding Debenture Stock, a sum equal to the difference between that interest and £165,000, in order to provide for redemption of Debentures.
Up to 3rd May, 1958 the Company has redeemed by purchase in the open market Debenture Stock having a nominal value of £367,722 at a cost of £335,250 inclusive of accrued interest and expenses. The amount required to be set aside under the terms of the Trust Deed up to 3rd May, 1958 is £312,378 and the sum of £22,872 is therefore carried forward towards the requirement for 1958/59.
During the year to 27th April, 1957, the Company made special purchases of Debenture Stock to a nominal value of £137,000 at a cost of £119,815 which is available for re-issue.

6. **Fleming Reid & Company Limited.**
During the year to 27th April, 1957, the Company and J. & P. Coats Limited took up at par in agreed proportions £825,000 5½% Loan Stock in Fleming Reid & Company Limited to be converted on 31st December, 1960, into 500,000 Ordinary shares of 10s each.

7. **Contingent Liability.**
There is a contingent liability for bills receivable sold with recourse amounting to £230,071 (1957 £149,273).

CITY NOTES

AUGUST most unseasonally is proving one of the busiest months the stock-markets have enjoyed for some considerable time. Reduction in Bank rate to 4½ per cent has not only put a useful peg in prices but has also encouraged a considerable volume of new investment and in particular in industrial equities.

Business is highly selective but the manner in which present buyers are apparently prepared to look beyond the next few months is taken as an indication of long-term confidence.

Better news from the United States industrial front has reinforced the view that the credit measures taken here will be sufficient to induce industrial re-expansion to an extent that will offset the delayed effect of the American recession.

Meanwhile in the broader economic sphere interest is turning towards the coming meetings of the International Monetary Fund and the World Bank in Delhi and the Commonwealth Economic Conference in Montreal.

Both these events are expected to bring moves towards increasing international currency liquidity and the Delhi meetings may well bring some re-shaping of the operations and functions of the International Monetary Fund.

One thing is certain. The United Kingdom's position is immeasurably stronger than it was when the I.M.F. and World Bank meetings were held in the shadow of the crisis measures taken to stave off the speculative pressure on sterling.

RATES AND PRICES

Closing prices, Wednesday, August 20th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19th, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

June 13	£4 10s 1·77d%	July 18	£4 4s 11·39d%
June 20	£4 5s 9·63d%	July 25	£4 3s 2·26d%
June 27	£4 5s 10·67d%	Aug. 1	£4 0s 2·49d%
July 4	£4 3s 5·23d%	Aug. 8	£3 17s 3·63d%
July 11	£4 0s 3·79d%	Aug. 15	£3 14s 5·00d%

Money Rates

Day to day	2¾–3¾%	*Bank Bills*	
7 days	3 –3⅜%	2 months	3⅞–3 15/16%
Fine Trade Bills		3 months	3⅞–3 15/16%
3 months	4½–5¼%	4 months	3⅞–3 15/16%
4 months	4½–5¼%	6 months	3⅞–4%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 3/16–¼	Frankfurt	11·69 –·¼
Montreal	2·70¼ –⅜	Milan	1738¼–9¼
Amsterdam	10·56¼–½	Oslo	20·00 –¼
Brussels	138·97½–139·02½	Paris	1173 –¼
Copenhagen	19·34⅛–⅜	Zurich	12·20¾–·21⅛

Gilt-edged

Consols 2½%	51¾	Funding 4% 60–90	88 5/16
Consols 4%	75 9/16	Savings 2½% 64–67	82 1/16
War Loan 3½%	68⅝	Savings 3% 55–65	89 1/16
Conversion 3½%	68⅞	Savings 3% 60–70	78⅝x.d.
Conv'sion 3½% 1969	85 11/16xd	Savings 3% 65–75	72 13/16
Exc'quer 5½% 1966	101 5/16xd	Treasury 2½%	51⅛
Funding 3% 66–68	82⅜	Treasury 3½% 77–80	76 13/16
Funding 3% 59–69	82	Treas'ry 3½% 79–81	75 13/16
Funding 3½% 99–04	73 13/16	Victory 4%	92 11/16x.d.

Reviews

Green's Death Duties

Fourth Edition by C. D. Harding, LL.B.(LOND.). (Butterworth & Co (Publishers) Ltd, London. 95*s* net; by post 97*s* 3*d*.)

Mr Harding is a new-comer as editor of this well-known work, the second since the death of the author whose name it bears. In the six years which have elapsed since the third edition much legislation has reached the statute book and some very important judgments have been pronounced by the Courts. In particular, the Finance Act, 1954, has made considerable changes, as has also the Finance Act, 1957. Mr Harding has had the unenviable task of expounding Section 38 of the Finance Act, 1957, dealing with the valuation of *inter vivos* gifts. He has devoted six pages to this topic but more would have been welcome: the section itself covers nearly five pages. In relation to Section 28 of the Finance Act, 1954, concerning the relief in respect of industrial assets where shares are valued on the assets basis, Mr Harding has considerably expanded the account which he gave in the supplement to the previous edition. The examples which he gives are most helpful.

Taking the book as a whole one is at once impressed with the thoroughness with which it has been revised, each new item having repercussions on many different pages. We would suggest that when another edition is prepared, the relevant references in the *Annotated Tax Cases* be quoted where appropriate.

The Modern Law of Real Property

Eighth Edition by G. C. Cheshire, D.C.L., F.B.A., Barrister-at-Law. With an Appendix on the Rent Acts by J. B. Butterworth, M.A., Barrister-at-Law. (Butterworth & Co (Publishers) Ltd, London. 55*s* net; by post 57*s*.)

Dr Cheshire is tireless in his search for the ideal textbook on the law of real property, and despite the acknowledged excellence of the seventh edition, and indeed of earlier editions, he goes on revising his work in a consciously critical frame of mind. Now that the book includes a section on the Rent Acts, the necessity for a new edition at frequent intervals becomes more pressing.

In the result, there is not much change in the make-up of the book, but it has been carefully brought up to date. There is a new section on security of tenure in general, covering dwelling-houses, business premises and agricultural holdings, which gives a useful conspectus of this increasingly important aspect of landlord and tenant law. On the other hand, several pages dealing with the destructibility of legal contingent remainders, now of mere historical interest, have been dropped. We know of no better textbook for the serious student of property law.

The Principles of Executorship Accounts

Third Edition by H. A. R. J. WILSON, F.C.A., and K. S. CARMICHAEL, A.C.A. (H.F.L. (Publishers) Ltd, London. 15*s* net.)

This book, written for Intermediate candidates and persons coming to the subject for the first time, sets out the principles very clearly and briefly. The two years which have passed since the second edition are marked by the addition of one new case, two further paragraphs, and an overall lengthening of the book by four pages. The references to cases cited have now been inserted. It is curious, however, that in the section dealing with estate duty on *inter vivos* gifts no mention is made of the substantial change in the law effected by Section 38 of the Finance Act, 1957.

SHORTER NOTICES

SCANNING THE PROVINCES, *Third Edition, 1958*. Marketing information for seventy towns and districts compiled and published by Northcliffe Newspapers Group Ltd. The main purpose of this publication is to give to advertisers and to those responsible for advertisement campaigns detailed marketing information about the seventy towns covered by the group's newspapers. The information given is most comprehensive and its interest is not only confined to advertisers. A town-by-town distribution of population by marriage, age and sex is given together with details of local authority expenditure, industrial employment and the numbers of those engaged in professional occupations. The numbers of accountants, who are members of either the English or Scottish Institutes or of the former Society of Incorporated Accountants are given for each of the seventy towns listed and these entries are further subdivided between members in practice and members not in practice.

THE BRITISH JOURNAL PHOTOGRAPHIC ALMANAC, 1958. Editor: Arthur J. Dalladay, A.INST.P., F.R.P.S., F.I.B.P. (Henry Greenwood & Co Ltd, London. 6*s* net (board); 8*s* 6*d* net (cloth).) Reviews of new photographic apparatus and materials covering 103 pages comprise a most useful section of this comprehensive reference book. Another valuable feature of the book, which maintains the high standard set by previous editions, is that devoted to lists of current materials for colour, and black and white still photography and narrow gauge cinematography.

CONCISE OXFORD ATLAS, *Second Edition*. Prepared by the Cartographic Department of the Clarendon Press. (Clarendon Press: Oxford University Press, 30*s* net). This fascinating reference work will need little introduction to most readers. The enlarged and completely new edition has been arranged on the same lines as the first edition and has been generally revised and brought up to date. Not the least useful section is the gazetteer of Great Britain and Ireland.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Audit Policy Point

SIR, – While it is always easy to be wise after the event, it is thought that the weakness in 'Laocoon's' position is revealed in a sentence in his third paragraph which reads: 'I did not, for one reason or another at the time, discuss them (the matters criticized) with the man in charge of the branch' (August 16th issue). Had this been done it would appear that the criticisms in the report to the head of the accounts department might not have been necessary at all, or at any rate would have been considerably modified.

It is considered that 'Laocoon' is quite right in maintaining that, having made a report to the head of the accounts department, he should not discuss the matter with the man concerned.

It is submitted that the right course for 'Laocoon' to take is to submit a further report to the head of the accounts department, stating that in his first report his criticisms of the branch manager's department were in some respects overstated, while on other points he was under a misapprehension, and expressing regret. At the same time, the points remaining unsatisfactory, if any, should be reiterated.

Should any discussion with the branch manager on matters contained in the report prove essential, it is suggested that such discussion should now only take place in the presence of the head of the accounts department.

Yours faithfully,
BROADWOOD.

Stock Determination

SIR, – Perhaps I have misunderstood Mr Burdeau's definition of 'cost or market value basis' of stock determination in his article (August 2nd issue), or perhaps American interpretation varies from ours!

According to him, when adopting the lower market value basis, it is permissible to deduct from realizable value 'a reasonable profit'. But our local Inspector of Taxes insists on inclusion at full realizable value (subject to selling expenses where any are attributable).

In so far as the ending valuation is of a suspense nature for the purpose of carrying over unused stock to the next period, cost can be easily accepted as being the most reasonable basis in normal circumstances. But where disposal is likely to be effected at some lower price, I cannot understand why it should be possible to write down any stock beyond the disposal value, merely to show a profit in the next period – much as we would no doubt like to on the grounds of prudence (hall-mark of an accountant?).

I, as a director and secretary of a motor trading company have recently had to explain in great detail to my managing director why demonstration cars, which are changed at frequent intervals, cannot be written down below cost at accounting dates, if it is likely that at least their cost price will be realized when sold. Being a practical business man he cannot conceive a car which has been licenced and run for 6,000–7,000 miles being of the same value as one which stands on the showroom floor unused. The practical side of me agrees with him, I must confess, but my accountancy background (and the Inspector of Taxes) tells me that they can.

In view of Mr Burdeau's definition, however, I do wonder whether other accountants engaged in settling other motor trader's tax matters, have any experience of concessions by the Inland Revenue, when this basis is used.

Yours faithfully,
F. L.

[Mr Burdeau writes: Accountants should maintain their records based on sound accounting principles and adjust this basis for tax purposes if necessary. What is acceptable for tax purposes may not be considered good accounting practice. Too often tax principles have no accounting basis to support them, and to incorporate what is acceptable by the Inland Revenue into the accounting records may in some instances produce financial statements which fail to show the position of a company as at a certain date based on generally accepted accounting principles applied consistently from year to year.

For instance, just because the Inland Revenue may at present allow an accelerated capital allowance on expenditures incurred for scientific research, as a means of encouraging research, it may be accounting practice to depreciate the capital expenditures over their useful life. (Although a C.P.A., Mr Burdeau holds an appointment in industry in the U.K. – Editor)]

On Accuracy in Accounts

SIR, – I would like to make a few comments on Mr Kenneth Most's article 'On accuracy in accounts' which appeared in *The Accountant* on August 9th.

Mr Most makes an interesting comparison between the different approaches made by financial accounting and cost accounting in explaining economic activity. One is also able to see further differences between the two types of accounting when the social function of financial accounting is considered.

Financial accounting is used primarily to evaluate, in monetary terms, the stock held by owners of wealth. It is able to show the growth or decline of stock over a given period. This is its significance. And despite its notorious shortcomings in dealing with inflation or in choosing arbitrary accounting periods, financial accounting is still necessary while ownership of wealth governs distribution of wealth. Given, however, an ideal society where distribution of wealth is based on need rather than on ownership, and where, therefore, pure financial values such as goodwill disappear, cost accounting will remain even though financial accounting as such may become obsolete.

The great underlying virtue of cost accounting is its ability to measure in non-pecuniary values and irrespective of ownership of wealth, the most economic use to be made of a given set of resources.

Yours faithfully,

Finchley, London, N3. M. MITCHELL.

SIR, – Mr Kenneth Most, in his article in the August 9th issue 'On accuracy in accounts', seems to have discovered a unique method of balancing his consolidated balance sheet. This arithmetical feat is accomplished, according to Mr Most, by the 'insertion of a balancing figure for subsidiaries not consolidated'. If this is the case, may I inquire what disappearing trick he uses to eliminate the difference arising in respect of the subsidiaries consolidated?

Yours faithfully,

Hong Kong. W. J. LEES, A.C.A.

[Mr K. S. Most writes: The point was, perhaps, not clearly brought out. No matter how respectable the book-keeping methods used, a consolidated balance sheet which does not consolidate all subsidiaries must show among the assets an item 'subsidiaries not consolidated'. This will be a balancing figure in relation to the consolidated balance sheet as such, because it is quite a different type of value necessarily inserted to make the two sides agree. It is still a 'balancing figure' when called 'Trade investments, at cost', or another such apparently impeccable title. For an example, your correspondent may consult the F. W. Woolworth & Co Ltd annual published accounts.]

Annual General Meetings

SIR, – I have recently come across an interesting point in relation to Section 131 of the Companies Act, 1948, regarding annual general meetings.

My company's year end is September 30th and we sometimes hold our annual general meetings in December and sometimes in January.

This year we held an annual general meeting for the year ended September 30th, 1957, in the early part of 1958 and we expect to hold our annual general meeting for the year ended September 30th, 1958, in approximately December 1958.

The Board of Trade, however, inform me that one cannot hold two annual general meetings in one year, but that one of them is only a general meeting.

If the Board of Trade are correct in their assumption here there will be a gap from the annual general meeting held early in 1958 and the next annual general meeting, which will be held in say late 1959, of more than the fifteen months specified as a maximum period between one annual general meeting and another in Section 131.

Should the Board of Trade's interpretation be correct – that one is unable to hold two annual meetings in one calendar year – a number of companies, my own among them, will apparently be breaking the letter of the law, even if not the spirit.

I should be most interested to hear of what practical experience other companies have had in this matter.

Yours faithfully,

London, EC3. E. J. BADEN.

Should Minors be Taxed?

SIR, – Some thousands of youngsters who have just left school, will soon be pursued by the Tax Collector, via the 'Pay-as-you-earn' system, for the income tax on their small pay packets.

His authority is presumably the 'Henry the Eighth' clause in the Income Tax Act, 1952 (Section 157 (2)), but the practice of officials, as is well known, gives no clue to the interpretation of the law, and questions inevitably arise. For example, can assessments be legally made on these youngsters, whilst their parents live? If so, why is it not competent for a minor, with an absolute right to taxed income, to file his own claim to repayment of tax?

For instance, where parents are divorced and the father pays maintenance, subject to deduction of tax, to the mother as guardian, only the mother can make the claim. Yet if the child goes out to work, it is the practice to assess it direct, regardless of the fact that it may be an infant. 'Law', we are told, 'is reason'. But what is reasonable about this distinction?

Meanwhile the mother's earnings, whilst the family live under the same roof, are assessed in the name of the father, though the child's earnings are not.

The child, taxed direct, has no vote. What then has become of the old cry: 'No taxation without representation?' Should not minors have votes now that they are taxed?

Yours faithfully,
TAX CONSULTANT.

Res Nullius

SIR, – I really feel Mr Connell (August 9th issue) has far too tender a conscience in the matter of holding employees' contributions under P.A.Y.E. for six weeks.

I have observed over a course of years the considerable expense my company has been put to through acting as unpaid tax collectors for the Government, and I regard what little bank interest we may receive on deductions retained as going some small way to offset the cost of administering P.A.Y.E. for the Revenue.

Yours faithfully,

London, SW1. J. A. MARTIN.

[Several other letters on this subject have been received expressing views similar to the above and to those published in last week's issue. – Editor.]

ELECTRONIC COMPUTER EXHIBITION
AND BUSINESS COMPUTER SYMPOSIUM
Olympia, London, November 28th – December 4th, 1958

The Electronic Computer Exhibition, the first of its kind in Europe, is to be held under the patronage of H.R.H. The Duke of Edinburgh, at Olympia, London, from November 28th to December 4th. Concurrently with the exhibition there will be a Business Computer Symposium.

The exhibition and the symposium have been organized at the instigation of the National Research Development Corporation by the Electronic Engineering Association and the Office Appliance and Business Equipment Trades Association.

The exhibition will be thoroughly representative of the British electronic computer industry and will show the outstanding contributions already made by British manufacturers to development and use of electronic computers and data processing equipment.

The exhibition is likely to be one of the most significant business events in 1958. Visitors will be able to judge the progress made in the application of electronic computers in achieving greater productivity in office and factory. The comprehensive display of computers and ancillary equipment will cover research and application by leading business organizations and will show how computers have an immediate bearing on the many intricate problems of management today.

The British effort has not been confined to large-scale computers – the so-called 'Giant Brains' – but more particularly with medium-sized electronic computers suitable for every type and size of organization in government, industry and commerce.

Business Computer Symposium

The Business Computer Symposium is to be held during the exhibition, on December 1st, 2nd and 3rd. At six sessions, executives from a wide range of concerns of diverse nature and size – both private and State enterprises – will give management the benefit of their own practical experience in applying electronic computer techniques to their particular problems. Delegates will be invited to question the speakers and derive the maximum benefit from their knowledge and experience of computers and computer application.

The three-day programme of sessions, with the subjects and speakers, is shown below. Entry to the exhibition does not include entry to the symposium; delegates for this must be registered.

The admission charge to the exhibition is 2*s* 6*d* and to the business symposium, £2 12*s* 6*d* per session, or £15 15*s* 0*d* for all sessions. Further details and delegates' enrolment forms for the symposium are available from: Mrs S. S. Elliott, M.B.E., Electronic Computer Exhibition and Business Symposium, 11–13 Dowgate Hill, London, EC4. Telephone: Central 7771–2.

SYMPOSIUM PROGRAMME

Monday, December 1st, 2.15 p.m.–4.30 p.m. Chairman: The Earl of Courtown – Imperial Chemical Industries Ltd.

Opening Address: 'Computers – retrospect and prospect', by the Earl of Halsbury, F.R.I.C., F.INST.P., managing director, National Research Development Corporation.

Session 1:

'Payroll, production and sales applications', by Mr N. C. Pollock, M.B.E., manager, O. & M. Dept., Stewarts and Lloyds Ltd.

'The computer as an aid to production management', by Mr J. W. Grant, F.S.S., manager, Production Control Section, The British Tabulating Machine Co Ltd.

'Computer Services in the United Kingdom', by Mr D. Wragge-Morley, scientific correspondent, *Financial Times*.

Session 2: Monday, December 1st, 6 p.m.–8.15 p.m. Chairman: Mr Lewis Wright, chairman, Scientific Advisory Committee, Trades Union Congress.

'Large-scale file maintenance', by Mr D. West, assistant to financial director, Radio Rentals Ltd.

'Technical planning of steel tube manufacture', by Mr R. G. Hitchcock, B.SC., A.M.I.P.E., executive officer, Computer Steering Committee, Tube Investments Ltd.

'Public utility accounting', by Mr G. Sherlock, F.A.C.C.A., A.C.I.S., deputy accountant (mechanization), South Western Gas Board.

'Electronic data processing in the nationalized industries', by Mr Dudley W. Hooper, M.A., A.C.A., chief organizing accountant, National Coal Board.

Session 3: Tuesday, December 2nd, 10.15 a.m.–12.30 p.m. Chairman: Sir Walter Puckey, British Institute of Management.

'Inventory control, accounting and payroll', by Mr A. Bradley, F.C.I.S., head, administration department, Ford Motor Co Ltd.

'Production control by buying computer time', by Mr R. B. Baggett, joint managing director, Job White & Sons Ltd, and Mr G. M. Davis, M.A., London Computing Services, English Electric Co.

'Accounting for farmer's sugar beet production', by Mr J. P. Lawler, C.A., chief accountant, Irish Sugar Co Ltd.

'Electronic data processing', by Mr A. J. Brookbank, sales office manager, Glaxo Laboratories Ltd.

Session 4: Tuesday, December 2nd, 2.15 p.m.–4.30 p.m. Chairman: President of the Office Management Association.

'A practical application in mail order business', by Messrs P. Cotter and H. E. C. Nash, Littlewoods Mail Order Stores Ltd, and Mr P. Shackleton, Elliott Brothers (London) Ltd.

'The application of linear programming to the design of animal feeding stuffs', by Mr A. Muir, B.SC., J. Bibby & Sons Ltd.

'Integrating the procedures of an insurance office', by Mr K.-E. Schang, managing director, A. B. Datacentralen, Sweden.

'The approach to EDP of a large user', by Mr S. G. Furniss, A.C.I.S., Imperial Chemical Industries Ltd.

Session 5: Wednesday, December 3rd, 10.15 a.m.–12.30 p.m. Chairman: Sir John Simpson, C.B., Controller, H.M.S.O.

'Merchandise accounting', by Mr D. S. Greensmith, M.B.E., A.C.I.S., general office manager, Boots Pure Drug Co Ltd.

(*a*) 'Stores control and control by exception', by K. F. Turner, B.COM., chief computing engineer, Rolls-Royce Ltd.

(*b*) 'Computers for research and design', by Mr L. Griffiths, B.SC., secretary, Computer Investigation Committee, Rolls-Royce Ltd.

'Technique for statistical analyses of family expenditure', by Mr M. A. Wright, B.SC.(ENG.), A.C.G.I., National Physical Laboratories.

'Government experience', by Mr J. Merriman, O. & M. Division, H.M. Treasury.

Session 6: Wednesday, December 3rd, 2.15 p.m.–4.30 p.m.
Chairman: President Designate, Institute of Cost and Works Accountants.

'Analysis of sales statistics', by Mr C. A. Wilkes, F.C.I.S., A.C.W.A., Imperial Chemical Industries Ltd.

'Wages accounting', by Mr W. H. Sargent, Central Wages Executive, British Railways, Western Region.

'Industrial mathematics', by Mr D. Owen, United Steel Co Ltd.

New Legislation

All new Acts are noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(6 & 7 Eliz. 2)

Chapter 28: Solicitors (Scotland) Act, 1958

An Act to amend the law relating to solicitors and notaries public in Scotland, and for purposes connected therewith.

Price 1s net. *July 7th, 1958.*

Chapter 30: Land Powers (Defence) Act, 1958

An Act to provide for the termination of certain emergency powers and to make certain provision in substitution therefor; and for purposes connected with the matters aforesaid.

Price 2s net. *July 7th, 1958.*

Chapter 32: Opticians Act, 1958

An Act to provide for the registration of opticians and the enrolment of bodies corporate carrying on business as opticians; to regulate the practice of opticians and the conduct by such bodies corporate of their business as opticians; to impose restrictions on the testing of sight and the supply of optical appliances; and for purposes connected therewith.

Price 1s 6d net. *July 7th, 1958.*

Chapter 35: Matrimonial Causes (Property and Maintenance) Act, 1958

An Act to enable the power of the Court in matrimonial proceedings to order alimony, maintenance or the securing of a sum of money to be exercised at any time after a decree; to provide for the setting aside of dispositions of property made for the purpose of reducing the assets available for satisfying such an order; to enable the Court after the death of a party to a marriage which has been dissolved or annulled to make provision out of his estate in favour of the other party; and to extend the powers of the Court under section seventeen of the Married Women's Property Act, 1882.

Price 1s net. *July 7th, 1958.*

Chapter 39: Maintenance Orders Act, 1958

An Act to make provision for the registration in the High Court or a magistrates' court of certain maintenance orders made by the other of those courts or a County Court and with respect to the enforcement and variation of registered orders; to make provision for the attachment of sums falling to be paid by way of wages, salary or other earnings or by way of pension for the purpose of enforcing certain maintenance orders; to amend section seventy-four of the Magistrates' Courts Act, 1952; to make provision for the review of committals to prison by magistrates' courts for failure to comply with maintenance orders; to enable Orders in Council under section twelve of the Maintenance Orders (Facilities for Enforcement) Act, 1920, to be revoked or varied; and for purposes connected with the matters aforesaid.

Price 1s 3d net. *July 7th, 1958.*

Chapter 41: Distribution of Industry (Industrial Finance) Act, 1958

An Act to enable the Treasury to give assistance under Section 4 of the Distribution of Industry Act, 1945, for reducing unemployment in localities suffering from a high rate of unemployment.

Price 3d net. *July 23rd, 1958.*

Chapter 42: Housing (Financial Provisions) Act, 1958

An Act to consolidate certain enactments relating to the giving of financial assistance for the provision of housing accommodation and to other financial matters.

Price 3s 6d net. *July 23rd, 1958.*

Chapter 43: Horse Breeding Act, 1958

An Act to consolidate the Horse Breeding Act, 1918, and the Animals Act, 1948.

Price 1s net. *July 23rd, 1958.*

Chapter 44: Dramatic and Musical Performers' Protection Act, 1958

An Act to consolidate the Dramatic and Musical Performers' Protection Act, 1925, and the provisions of the Copyright Act, 1956, amending it.

Price 6d net. *July 23rd, 1958.*

Notes and Notices

PERSONAL

Mr James Kimche, A.C.A., F.C.A.(AUST.), announces that after eight years' residence he has recently returned from Melbourne, Australia, and has now commenced to practise in London under the firm style of James Kimche & Co, at Fulwood House, 12 Fulwood Place, London, WC1. Telephone: Chancery 8986/7.

Messrs Roth, Manby & Co, Chartered Accountants, of 6 Vigo Street, London, W1, announce with deep regret the death on Saturday, August 16th, of their senior partner Mr David Roth, F.C.A.

PROFESSIONAL NOTES

Mr Derrick Holden-Brown, C.A., has been appointed sales director of B. Grant & Co, a subsidiary of Ind Coope & Allsopp Ltd.

Mr H. W. A. Waring, C.M.G., A.C.A., managing director of Brymbo Steel Works Ltd, has been appointed director of a central advisory service to be set up by Guest, Keen & Nettlefolds Ltd, to assist the group's companies in taking advantage of the opportunities offered to British iron, steel and engineering exports by a European free trade area.

Mr E. Churchill Mallett, F.C.A., A.C.I.S., has been appointed a member of the Northern Counties board of the Legal & General Assurance Society Ltd, and Mr Edgar T. Shepherd, F.C.A., has been appointed a member of the South Wales board in succession to his father, the late Mr Gilbert D. Shepherd, M.B.E., F.C.A.

Mr John A. Sharples, A.I.M.T.A., formerly deputy borough treasurer of Rochdale, has been appointed borough treasurer of Halifax.

COHEN COUNCIL'S SECOND REPORT

The Council on Prices, Productivity and Incomes, comprising Lord Cohen (Chairman), Sir Harold Howitt and Sir Denis Robertson, has announced that its second report is to be published next Monday by H.M. Stationery Office, price 2*s*.

The Council's terms of reference require it 'to keep under review changes in prices, productivity and the level of incomes (including wages, salaries and profits)'. Some of the matters to which the Council has given attention in recent months are reflected in the list of contents of the thirty-nine page report; they include:

'Have the September measures worked?';
'Prospects for the near future';
'The problems of re-expansion';
'Demand and unemployment';
'Wages and salaries';
'Profit margins and prices'.

The report contains six charts and an appendix deals with 'The measurement of profit income'.

We shall review and comment on the report in next week's issue.

TAX RESERVE CERTIFICATES

The Treasury has announced that as from August 20th, 1958, and until further notice, Tax Reserve Certificates of the Seventh Series issued under the terms of the prospectus dated July 8th, 1955, will bear interest at 2¼ per cent per annum free of tax. The rate of interest on certificates of the Seventh Series subscribed before August 20th, 1958, will remain unchanged.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

London Discussion Group

The London Discussion Group of The Institute of Chartered Accountants of Scotland announce the following lecture meetings to be held during the 1958–59 session:

November 25th: 'The aims and responsibilities of the trades unions in the changing structure of society', by Mr G. Woodcock, assistant general secretary of the Trades Union Congress.

January 20th, 1959: 'The potentialities of a computer in the smaller business', by Mr G. A. Randell, B.SC., of Leo Computers Ltd.

The meetings will be held in the Oak Hall of the English Institute in Moorgate Place, London, EC2, and will commence at 6 p.m.

CHARTERED INSTITUTE OF SECRETARIES EXAMINATION RESULTS

A total of 3,741 candidates in the United Kingdom and Eire sat for the June 1958 examinations of the Chartered Institute of Secretaries.

There were 786 candidates for the Final examination of whom 211 (27 per cent) passed and 575 failed. In the Intermediate examination, 544 candidates (48 per cent) passed and 583 failed.

There are nearly 17,000 registered students of the Institute throughout the United Kingdom, the Republic of Ireland, Southern Africa, Australia, Canada, New Zealand and other countries in the Commonwealth.

MOBILE OFFICE MACHINE EXHIBITION

An interesting method of exhibiting office machinery has been introduced by the National Cash Register Co Ltd. It is a mobile exhibition of the latest office accounting equipment which will travel to all parts of the United Kingdom. A complete showroom in itself, the exhibition coach is designed to bring to business executives the latest modern business machines and so overcome their difficulty in finding time to visit the normal showroom.

ELECTRONIC BUSINESS SYSTEMS CONFERENCE IN U.S.A.

The fourth Electronic Business Systems Conference to be arranged by the Western Division of the National Machine Accountants Association is to be held at *The Olympic Hotel*, Seattle, Washington, U.S.A., from October 30th–31st.

MANCHESTER AND LIVERPOOL STUDENTS' RESIDENTIAL COURSES

The Joint Tuition and Education Committees of the Manchester and Liverpool Societies of Chartered Accountants are holding their nineteenth joint residential courses for Intermediate and Final students at Burton Manor, Burton-in-Wirral, from Friday, September 19th, to Friday, September 26th (inclusive).

The courses are intended to give students – and especially those unable to attend the Saturday morning lectures – an opportunity of hearing lectures on the more important subjects covered by the examination syllabus, to enable them to discuss their problems with contemporaries and to have their unsolved problems further explained by the lecturers.

The courses are open to all students in the offices of members of the Institute within the areas of the Manchester and Liverpool Societies. Vacancies for the sixty places available will be allocated so far as possible equally between the two areas.

On this occasion it has again been possible to lengthen the courses, which will be concurrent and will be of a full week's duration. The charge to students will be £11 11*s* 0*d*, comprising £7 1*s* 0*d* for board and accommodation and £4 10*s* 0*d* for lectures. Applications to attend should be sent, before September 4th, to the Assistant Secretary, Manchester Society of Chartered Accountants' Joint Tuition Committee, 46 Fountain Street, Manchester, 2.

CERTIFIED ACCOUNTANTS' JUBILEE GOLF COMPETITION

Ten certified accountants from various parts of the United Kingdom competed in the final round of the Jubilee Trophy Golf Competition, which was played on the Oakdale Golf Course, Harrogate, on Monday, July 28th.

The trophy was won by Mr A. L. Farey, of Barnet, Herts, with a net score of 75. Considering the gale-like conditions under which the final was played, Mr Farey's score was an excellent one as the bogey for the course is 72. The runner-up was Mr M. Astin, of Leeds.

At an informal dinner at *The Hotel Majestic*, Harrogate, on the evening of the competition, the President, Mr W. Jackson, presented the Jubilee Trophy and a miniature replica for permanent retention to Mr Farey, who was accompanied by his wife.

CRICKET

A cricket match at Southampton between the Portsmouth and Southampton Chartered Accountants Students' Societies on August 17th resulted in a win for Southampton by four wickets.

The Portsmouth Society won the toss and decided to bat, scoring 128 in just under one and a half hours: a determined score of 57 by the opening batsman R. Langley, was the mainstay of their innings. R. M. Gordon, for Southampton, bowled extremely well to take five wickets for sixteen runs. Southampton went in to bat and were carried to victory by J. R. Gallimore, who made a magnificent score of 105 not out.

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

Results of Examinations held in June 1958

FINAL EXAMINATION

SECTION I

First Place and Prize: Detheridge, W., Wolverhampton.
Third Place: Slomovic, C., London.
Second Place: Fleming, W. J., Ardrossan.
Fourth Place: Cleaver, J. A., Bromley; Rogers, D. M., Sidmouth.

(In alphabetical order)

Abernethie, D., Cleethorpes.
Adams, W. R., Birkenhead.
Alabi, A. B., London.
Antoniades, A. L., London.
Audus, W. E., Hornchurch.

Ball, D. E., Wakefield.
Ball, D. E., Enfield.
Ballinger, E. J., Cheadle.
Balladon, M. E., Headington.
Barrett, Miss S. E., South Hayling.
Bell, S., Lincoln.
Belson, A. P., London.
Bennett, G. N., Bexleyheath.
Blankson, B. H., Southsea.
Botell, E. F., London.
Boulton, R. E. N., Reading.
Boyer, H. W., Gedling.
Bradshaw, E., Leeds.
Bridge, Miss P. I., London.
Brierley, A. D., Rochdale.
Britten, E. C., Isleworth.
Burnard, C. R., Harrow.
Burnhill, G. C., Doncaster.
Burns, T. W., Edinburgh.
Burrows, P. J. A., Erith.

Cadogan, D. T., Sevenoaks.
Callender, M. D., London.
Campling, A. W., Enfield.
Carrick, J. A., London.
Casswell, D. C., Grimsby.
Caton, E., Marton.
Chambers, D. A., London.
Church, K. H., Buckhurst Hill.
Clark, F. E., Blaby.
Clarkson, A. L., Darlington.
Clifford, F., Duckmanton.
Collins, D., Bexleyheath.
Comerton, J. A., Dublin.
Copeman, P. R., Oxford.
Cousins, J., Dewsbury.
Creffield, D. P., Leigh-on-Sea.
Croft, A. J., London.

Dambo, W. T., Leeds.
Davis, R. A., Bewdley.
Drayton, W., Sheffield.
Dron, M. J., Newton Mearns.
Dunlop, J., Gorebridge.

Edington, Mrs E., Worsley.
Ekundayo, S. K., Leeds.
Elgar, K. F. C., London.
Ellis, A. J., London.

Fenn, R. N., Southend-on-Sea.
Ferguson, V. A., Sligo.
Froggatt, A., Sheffield.

Gardiner, P. A. T., London.
Garnette, J. O., Hull.
Garton, J., Radford.
Goddard, V. K., Ipswich.
Graham, Mrs P., London.
Gross, R. H., Harrow.

Haines, R., Sherborne.
Hannah, J., Kilmarnock.
Harold, J. R., Glasgow.
Hart, G. W., Ruislip.
Herbert, G. W., Erith.
Hobbs, K. E., London.
Hopkinson, G., Matlock.
Houchin, C. A., Great Yarmouth.
Houghton, A., Warrington.
Hoult, N. H., Leicester.
Howe, D., Sevenoaks.
Hubbard, J. A., London.
Hughes, G., Teddington.
Humphries, J. W., Claygate.

Ike, I. O., Leeds.
Inglis, E. J. M., Glasgow.

Johnson, D., Leeds.
Jones, A. K., Brighton.
Jones, B. F., Southsea.
Jones, J. M., Luton.
Journeaux, J. N. H., Portslade.

Kalmre, H., Birmingham.
Kelly, R. R., London.
Kenyon, H., Rochdale.
Keyworth, E. A. C., Devizes.
Khan, A. A., London.
King, W. S., Glasgow.

Lambert, J. O., London.
Lee, V. L. Y., London.
Lewindon, J. P., Westcliff-on-Sea.
Lillyman, B. W., Swansea.

Lowe, C., London.

McCarthy, W. R., Derby.
McConnie, M. D., Trinidad.
McGough, J., Doncaster.
McGuire, I. D., Edinburgh.
MacAlevey, F. J., Dundalk.
Manley, M., Dublin.
Marshall, H., Whitstable.
Martin, D., Oxford.
Martin, G. M. J., Cardiff.
Masters, P. J., Chislehurst.
Medlock, R. W., King's Lynn.
Mensah, E. O., Glasgow.
Miller, B. J., Grimsby.
Millward, D. S., Newcastle.
Minards, V. J. A., London.
Mitchell, R., London.
Moore, B., Wallington.
Morris, B. C., Edgware.
Murphy, J. A., Kenton.
Murray, C. P., Dublin.

Nicholls, J. E., Camborne.
Northcott, A. L., Bushey, nr. Watford.
Nwankwo, J. O., London.

O'Kelly, C. F. M., Dublin.
Okufi, G. M., Leeds.

Paget, N. D., Farnham.
Park, D., Glasgow.
Parrott, P., Scunthorpe.
Parsons, C. J., Dartford.
Penn, C. L., London.
Penrose, J. C., Wigston Magna.
Peters, K. C., Woodford Green.
Pitsilides, C., London.
Pitt, C. M., Brierley Hill.
Pratt, C. B. A., London.
Prue, W. E., Rugby.

Rae, Miss J., Helensburgh.
Raisey, R. C., Marlborough.
Ramage-Gibson, A. J., Southampton.
Randle, A. D., Bournemouth.
Redman, A. I., Hornchurch.
Reed, P. J., Bromley.
Reid, J. D., Glasgow.
Roberts, H. R., Scunthorpe.
Robinson, G. E. R., Northampton.
Routledge, R., Stockton-on-Tees.
Russell, T. M., Glasgow.

Samuels, J. M., Birmingham.
Savage, R., Sheffield.
Scaresbrook, C. A., Hayes.
Shelverton, R. H., Sidcup.
Sherman, M., Westcliff-on-Sea.
Small, J. R., Sutton Coldfield.
Smith, E. G., Tipton.
Smith, H. F., London.
Smith, J. C., Hayes.
Snell, J. H., Allestree, Derby.
Snow, D., Manchester.
Southwell, B., Brentwood.
Stebbings, D. L., London.
Steer, S. T., Orpington.
Stevens, C. F., Barnstaple.
Straker, M. A., Reading.
Strange, D. F., Corby.
Swallow, G. W. H., Hull.

Taylor, W. N., Westcliff-on-Sea.
Teape, D. B., Glasgow.
Teideman, C. R., London.
Thomas, V., Greenford.
Thompson, N., Sunderland.
Thwaites, M. W., Burgess Hill.
Townsend, M. E., Cheltenham.
Tranter, R., Hounslow.
Treml, W. J., London.
Turner, T. W., London.

Ukochio, E. N., Leeds.
Urquhart, D., Banff.

Vanderweele, F. G., Stevenage.
Venes, R. T., Northampton.

Wallwork, K. W., Chadderton, nr. Oldham.
Ward, D., Castlebar.
Ward, T., Gateshead.
Welsh, W., Glasgow.
Whittaker, J. M., Poole.
Whytock, R. L., Edinburgh.
Wiggins, R. J., Headington.
Wightwick, M., London.
Wilkins, D. G., Twickenham.
Wilkinson, A., Northwich.
Wise, A. G., Durham City.
Wood, A. D., Swansea.
Wood, K. E., London.
Woodall, J. R., Birmingham.

Youles, B. J., March.
Young, D. R., Oldham.

410 candidates failed.

FINAL EXAMINATION

SECTION II

First Place and Prize: Flitter, B., London.
Second Place: Heath, B. W., Coventry.
Third Place: Gillingwater, J. R., Hull.
Fourth Place: Smith, C. M., London.

(in alphabetical order)

Abdelatif, A. M., London.
Algar, A. P. B., London.
Allen, J. A. T., London.
Allen, T., Sacriston.
Allman, B., Leeds.
Anderson, A. F., Romford.
Apps, P. G., Chessington.

Armitt, H. S., Liverpool.
Armstrong, C. G., Ashford.
Arraleh, M. A., Leeds.

Ballantyne, J., Glasgow.
Barke, J. G., Barnsley.
Barnes, F., Larkhall.

Barnes, L. H. R., Ashton-under-Lyne.
Bennett, C., South Shields.
Bennett, K. A., London.
Blakey, A., Leeds.
Blanks, D. O., Hayes End.
Boor, R., Worksop.
Bowman, P. D., Gravesend.

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Brimacombe, R. J., Buckhurst Hill.
Bristow, N. S., Rochester.
Bullard, D. W., London.

Cantle, K. F., North Boarhunt.
Carter, F. H., Stanmore.
Clark, J. B., Sidcup.
Clarke, D. P. T., Bury St Edmunds.
Clement, A. B., Luton.
Coldwell, A., Newbourn.
Copsey, A. S., Gloucester.
Cornelius, R., Ashby-de-la-Zouch.
Costigan, P. F., Bradford.
Cownden, F. W. J., Brentford.
Coxon, G. A., Stoke-on-Trent.
Coy, J. M., Stockport.
Crabb, L. G., Purley.
Cranston, J., Carlisle.
Culpan, F., Halifax.
Cumper, V. N., Erith.

Darbyshire, E., Chesterfield.
Davisworth, B., Leeds.
Dixon, R. C., Birmingham.

Elliot, H. W., Stanmore.
Evans, E. J., Liverpool.
Evans, R., Edinburgh.

Fahmy, K. G., Cairo.
Farroe, R. I., Trinidad.
Fearnett, H., Widnes.
Fenton, V. D., London.
Fisher, R., Acomb.
French, M. R., Wisbech.

Garnham, E. J., Pinner.
Goude, L., Sheffield.
Gould, J. H. S., Exmouth.
Grey, J. R., Sidcup.

Haigh, K., Huddersfield.
Hall, J. S., Ashford.
Hamid, R. A. G., London.
Hammond, M. J., Chelmsford.
Harding, H. W., Romford.
Harrison, J. D., Stoke-on-Trent.
Hassan, A., London.
Hay, A. J. E., Alexandria.
Herron, W., Stanley.
Hilderley, W. J., Whitton.
Hobkinson, P. T., Newton Aycliffe.
Howells, J. I., Porthcawl.
Humphreys, S., Romford.
Hunter, I. B., Edinburgh.

Jaques, A., Middleton.
Jennings, F. R., London.
Jones, G., Salop.
Jones, M. D., Chesterfield.

Kilvington, K. W., Ware.
King, H. C., Loughton.
Kingston, R. E., Ilford.

Ladeinde, O. A., Reading.
Langley, S., Chester.
Last, D. J., West Worthing.
Lawrence, J. J., London.
Leach, M. J., Cambridge.
Leach, W. E. J., Alvaston.
Lees, G. W., Leek.
Leith, R. B., Edinburgh.
Lesley, J., Southend-on-Sea.
Lovett, W. H. F., London.

McHattie, A., Ayr.
McLean, W. J., Ruislip.
Ma, R., London.
Magennis, N. I., Newcastle.
Maher, P., Dublin.
Malcolm, A. B., West Cults.
Marks, A. K., London.
Marlow, R. H., Shortlands.
Marshall, R. A., Edinburgh.
Martin, C. M., London.
Matthews, M. J., Falmouth.
Merrett, Miss M. E., Hampton.
Millett, P. G., Tullamore.
Mills, A. E., Letchworth.
Mills, A., Bedford.
Mills, H. W., South Benfleet.
Morgan, D., Bexleyheath.
Murphy, H. J., Cheam.

Olver, J. K., Leigh-on-Sea.
O'Malley, J. A., Stretford.
Opara, L. M., Leeds.

Parsons, M. H., South Brent.
Pendlebury, C. B., Blackpool.
Pettit, F. W., Morden.
Powell, D. A., Birmingham.
Prior, L. F., Petersfield.

Rajanayagam, A. D., London.
Richardson, A., Cheadle.
Rickards, L. R., London.
Ronayne, J. K., Bray.
Ross, J. A., Manchester.
Rowe, G., London.
Russell, K., Watford.

Saunders, B. H., London.
Scannell, M. J., Dublin.
Scott, J., Gateshead.
Sellers, B. W., Stockton-on-Tees.
Sidney, J., Sunderland.
Silvester, S., Cinderford.
Smith, A. W. G., Hornchurch.
Smith, D. J., Kenton.
Smith, S. G., Aldershot.
Snowdon, L. J., Manchester.
Stanley, W. J., Stanmore.
Stephenson, B., Hull.
Strong, B., London.
Sutcliffe, N., Bradford.

Theobald, E. A., Crowthorne.
Thompson, D. A., London.
Turner, B. R., Swansea.

Vassallo, G. S. R., London.
Vick, L. B. K., Aylesbury.
Viney, V. H., London.

Waddams, D. G., Painswick.
Walker, R. T., High Wycombe.
Wallace, C., Bexleyheath.
Walsh, E. G., London.
Watts, R., Mansfield.
Waugh-Bacchus, G. J. F., London.
Whichelo, C. H., Kingston upon Thames.
Williams, G. R., London.
Williams, K. R., Abbots Bromley.
Wills, M. E., Manchester.
Wilson, E., Liverpool.
Wong, E. S., London.

Yeldham, J. F., London.
Yewdall, S., Bradford.
Young, A. E., Thornton.
Young, J. R., Glasgow.

234 candidates failed.

Summary of Results

Candidates	*Pre-liminary*	*Inter-mediate*	*Final* *Section I*	*Final* *Section II*	*Total*
Passed with Honours	—	4	5	4	13
Passed	86	350	187	156	779
Failed	84	406	410	234	1,134
Total sat	170	760	602	394	1,926

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Expansion Tethered

THE Cohen Council's second report published last Monday,[1] brings the facts and figures of the economic situation well and truly up to date. Besides surveying the changes in the economic scene since the unseasonably chill days of last autumn, the report goes on to contemplate the prospects – and accompanying dangers – of releasing the present brakes on expansion and even introducing some stimuli.

Summing-up the changes in the economy since the 'September measures' were enforced, the Council points to five main features. First, there has been a sharp – and very welcome – improvement in the gold and dollar reserves coupled with a fall in Britain's short-term liabilities, an improvement which seems to have been brought about mainly by a substantial increase in Britain's current balance of payments surplus, and partly from a restoration of that indefinable yet vital ingredient – foreign confidence. Secondly, there has been a perceptible halt in the upward trend of prices. True, the index of retail prices has continued to rise, but this is accounted for, in the main, by a rise in food prices and there is good reason to suppose that this was largely seasonal.

Thirdly, there are distinct signs that incomes are rising much more slowly than heretofore. Not only have profits eased to show no more than a 2½ per cent increase for the first quarter of 1958, but later figures for incomes from employment all suggest a slackening in the rate of rise. Fewer workers have so far been granted increases in wages, while the average rise has been noticeably smaller even for those that have benefited. Moreover, in view of the fall in overtime and the rise in short-time working since a year ago, it will be surprising if earnings this year manage to rise faster than wage-rates.

Fourthly, production, however measured, has not risen significantly for some time. For its part, total national output has hardly risen at all, while the index of industrial production, on the other hand, has been declining slowly since the middle of last year.

Fifthly, with production all but stationary, there has been some easing of the demand for labour, evidenced by a comparatively trifling fall in the number of people at work and a more obvious rise in the numbers of registered unemployed to a figure (for July) which corresponds to an average rate of about 2·2 per cent.

Commenting upon the evident efficacy and timely impact of the measures taken by the Government, the Council observes:

> 'Our general judgment, in short, is that the policies of damping down demand have worked to an extent that fully justifies their adoption.'

---

[1] Council on Prices, Productivity and Incomes, Second Report, H.M.S.O., 2*s*.

A belief which, void of all statistical speciousness, is based simply on the common-sense view that hire-purchase restrictions really do hold sales of consumer goods in check; that high interest rates and curbs on bank credit do, in fact, curtail borrowing; and that pegging the level of public investment certainly does prevent spending from rising as fast as it might otherwise do.

So much, then, for the immediate past. What of the prospects for the near future? Within the framework of the existing level of home demand, the price level of goods and services as a whole may be expected to achieve near-stability, rising labour costs being absorbed by lower materials costs and a trimming of profit margins. On the investment side, fixed capital expenditure in the public sector is expected to continue at about the present scale, but the stage seems set for a decline in private fixed investment, while investment in stocks and work in progress is likely to be lower this year than in 1957, if only as a direct consequence of the lower level of activity on the manufacturing front.

As for exports, the fall in world prices of many raw materials and foodstuffs has already impaired the buying power of some of Britain's overseas customers – not to mention the profits of some of her overseas enterprises. As there is an inevitable time-lag in these matters, it cannot be supposed that the full extent of these unfavourable omens has yet revealed itself. Put shortly, we must expect to see a certain deterioration in the current balance of payments position of the United Kingdom during the coming months, together with a somewhat less favourable trend in the gold and dollar reserves.

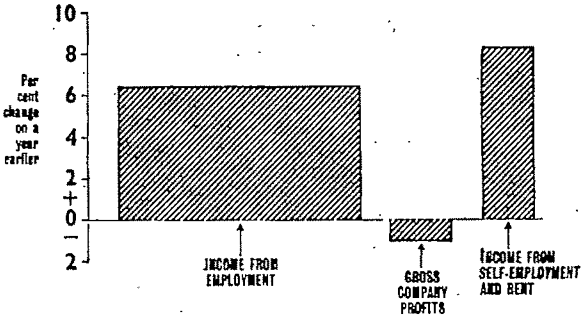
Coming on to the question of the right level of activity, the Council puts something of a damper on those who have been avidly pleading the case for outright re-expansion. Though acknowledging the force of the argument that

> 'the existence of unused capacity should make it possible to step up production without running into serious bottlenecks, so that an expansion of demand could go some appreciable distance without involving a rise in prices',

the Council takes up the cudgels by mentioning several qualifications (some of which we hinted at in a leading article last week) which need to be attached to this optimistic expectation.

INCOMES

The changes in the first quarter, compared with a year earlier, in the three main groups of incomes. (The width of the bars corresponds to their importance in 1957.)



The first qualification is that some of the so-called 'spare capacity' consists of old and obsolescent plant which is unduly costly to operate. To expand demand so as to bring this plant back into use would inevitably lead on to a rise in costs and prices. Secondly, some further part of the unused capacity is likely to remain idle under any feasible level of demand.

It is clear that an inflation-ridden economy itself leads to mal-investment. Thus, some misjudged expansion schemes will be undertaken which may find themselves 'left on the shelf', so to speak, when a more normal level of demand is re-established, while in other cases undue optimism about future growth finds productive potential coming into being well ahead of demand – even where the latter is still on the upward grade. It would seem, therefore, as if past miscalculations are at long last beginning to show up as the economy gets into a slightly lower gear and faces up to a less intensive rate of expansion.

The third qualification draws attention to the question of labour supply. Undoubtedly there is some reserve of labour, but it is certainly a much less ample margin than the reserve of capital assets. Consequently, expansion would not have to proceed very far before it reached an impasse, causing undue pressure of demand in the labour market.

Other dangers, too, appear on the horizon. The possibility of a return of price inflation cannot be discounted and on the external front, the additional call on supplies of imported materials could jeopardize our current balance of payments position. Faced with this dilemma, the Council considers that:

> '. . . while it is right that policy should aim at an

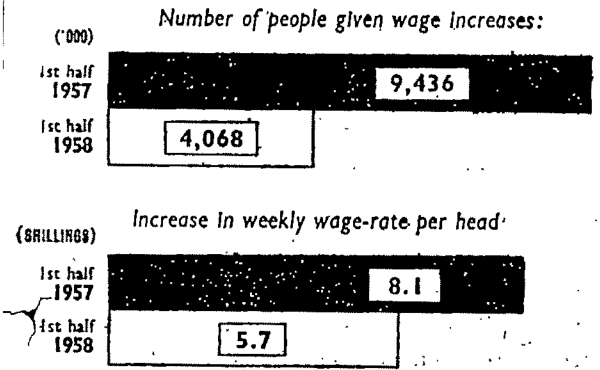
expansion of demand, it must proceed gradually and with caution towards that end. The dangers of recession are not so drastic and so imminent, nor those of inflation so remote, as to justify a policy of all-out encouragement of expenditure.'

While the main attention is rightly centred upon immediate prospects, the Council is not forgetful of the implications of present trends upon the longer view. In so doing, they see reason to comment on a number of issues which seem to arise from the conflict of two main objectives of economic policy – full utilization of the national resources of labour and capital, on the one hand, and stable prices on the other.

In particular, every effort must be made to avoid a recurrence of past peak levels of demand for goods and for labour, if price inflation is to be averted. That being so, one can hardly expect quite so low an average level of unemployment to obtain over a period of years as we have been fortunate enough to experience in the last decade. As a result, the emerging problem of local pools of unemployment is likely to be rather more serious and the remedial treatment recently prescribed under the Distribution of Industry (Industrial Finance) Act may still leave some local difficulties of a rather obstinate nature. It is, perhaps, an unpleasant but salutary truth that the policy of bringing work to the workers has definite limits.

Switching to another tack, the Council takes to task those industries which exhibit a considerable degree of 'price inertia', pointing out that the attainment of overall price stability would require that in some sectors the prices of the goods and services produced should be falling.

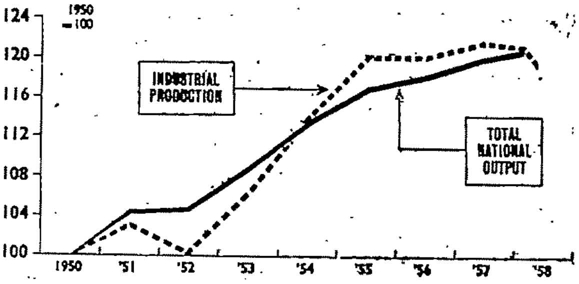
WAGE INCREASES



In the first half of this year, only half as many workers received wage increases as in the first half of last year; and the size of the increase has been smaller.

PRODUCTION

Total national output has risen more slowly, and industrial production hardly at all, since 1955.



'In practice it seems likely that the most important of these other sectors would be manufacturing industry, for it is here that the growth of productivity tends to be fastest. It is, therefore, a matter of some concern that the prices of manufactured products seem to have a considerable degree of inertia: they are not changed quickly in response to changes in supply or demand conditions.'

As an instance of this, the Council finds fault with the failure of prices of manufactured goods, as a group, to decline appreciably in the last few months in spite of the considerable fall in the cost of imported materials. Nevertheless, the activities of the Restrictive Practices Court and of the Monopolies Commission may do something to combat this inertia, aided and abetted by eternal vigilance on the part of the consumer, or, to be exact, vigilance by those recently-formed consumer research services which may in time do much to educate the consumer in an appreciation of the true meaning of 'value for money'.

The Council's summing-up puts the present delicately poised state of the economy in this way:

> 'the dangers of inflation have only been scotched, not killed, by the slackening of tempo in the last twelve months; we must not suppose that we have solved the problem of getting the growth of incomes into line with that of productivity . . .'.

Elsewhere in this issue, we reproduce the full version of the Council's own summary, highlighting the outstanding facts and figures culled from each chapter of the main report and, secondly, the appendix, which discusses the thorny question of depreciation in relation to the measurement of profit income.

Present-day Salaries

An Analysis of Bank Salaries and Some Others

CONTRIBUTED

THERE are more than 10,000 bank clerks in the clearing banks, and it is natural enough that other employers should look with interest at the salary structure of so substantial and homogenous a group. It is probably true to say that bank salaries are now, after last year's changes, more settled than they have been since the war, and it is worth while examining the present position and comparing it as far as possible with that in other employments. To keep the topic within manageable proportions, women's salaries will be here ignored (there is no equal pay rule in banks although for the first few years young men and women get the same salaries – and the first woman branch manager is reported to have the salary a man would have been given). Similarly there will be no discussion here of ancillary benefits – pension, housing privileges, security and the like.

A good starting-point is provided by the latest *Clerical Salaries Analysis* published by the Office Management Association in July. This provides, in addition to the detailed figures of its general office salary analysis, outlines of the salary scales of certain large organizations not included in the general survey. Some of these scales are set out in Table I. (It may be noted in passing that the general office salaries analysed in the main survey show median figures for the country as a whole ranging from £220 per annum for clerks with minimum responsibility under 21 to £820 for the most senior clerks with maximum responsibility; the corresponding figures for the City of London are £230 and £840.)

It would obviously be rash to draw any wide inferences from the figures in this table, but they show in outline a group of employers in competition in much the same field of recruitment, and in this particular sample of it the banks (taking this one anonymous bank as typical, which, broadly speaking, it is) are somewhat ahead in the monetary inducements they are offering. The difficulties of recruiting which are implicit in the whole picture presented by the *Analysis*, have been experienced by the banks at least as sharply as by other employers. But of course basic scale figures tell only a part of the story. In all employments there are figures beyond the basic scale – in the National Coal Board, for example, the *Analysis* shows a clerical officer Grade 1 going to a maximum of £880; Scale A in civil air transport goes to £715; and Grade C of the public corporation has a maximum of £980, while there are higher grades in the corporation with salaries of over £1,000.

TABLE I

	Age				*Maximum*	*Reached*	
	16	18	21	25	*of scale*	*at age*	*London allowance*
Civil Service	£	£	£	£	£		
Clerical Assistant	216	270	355	435	560	31	£8–26 according to age
Clerical Officer	245	310	385	470	700	36	
Local Government							
General Division	230	280	350	400	490	30	£11–30 according to age
Higher General Division ..	230	288	380	470	620	30	
Civil Air Transport							
Scale E	210	260	360	—	395	24	£20 under 21 £32 10s over 21
Scale D	—	280	390	440	465	27	
National Coal Board							
Clerk Grade 2	205	270	383	460	526	29	£52 minimum
A Representative Large Bank	260	290	375	550	800	31	£70 central
A Public Corporation							
London rates	300	360	470	580	700	29	

All the figures above are calculated, with some rounding off, from the weekly figures given in the *Clerical Salaries Analysis*, published by the Office Management Association.

None of these latter figures are tied to specific ages.

In the banks the basic scales are for the comparatively junior only, and above them there are no firm figures, payment being on achievement with certain unwritten minima: no man, however poor his quality, will stay on the salary for 31 until he retires. Only one of the banks, Lloyds, takes its scale to age 39, the others generally finishing around 31, while the National Provincial associates salary with merit even earlier: their staff have salary for age only until 18 and thereafter enter on progressive grades, closely parallel to the other banks' scales but not linked to age (while the top two grades carry into the range of junior appointments, short of managership, with a maximum of £1,160). Lloyds Bank makes its merit decisions within the framework of the scale, recognizing three grades from the age of 24 upwards: the top grade reaches £920 (less pension contribution) at age 28, the middle grade at age 31, while the 'normal' grade passes this figure at 35. But these differences, important though they are, are yet small enough to leave a general picture discernible: £800 at 31, and for the above average, anything up to £100 more than that – for it may be assumed that while Lloyds are the only bank to have formalized this recognition of merit by increases above the scale figures, the other banks are in greater or less degree doing the same thing.

Younger Managers

It is almost inevitable that they should when the accent is so strongly upon younger appointment to managership. More than one of the banks has talked in its recruiting of appointment in the 30s, and if this means anything at all it must imply the appointment of the very best young men to positions of responsibility at not a lot more than 35. This is in fact happening: not very widely yet, of course, but often enough to justify the broad statement. Now a branch manager can expect, so far as one can judge from the various announcements of the different banks, at least £1,300 on appointment; so the fortunate young man who gets his first branch at, say, 37, will have had to go £500 above the top of the scale in the six years since he was 31. It is reasonable for some of his monetary recognition to have been given before that point.

That is a generalized outline of a reasonably ascertainable salary structure; the fact that the banks in general have no set scales beyond the 30s, nor, therefore, beyond routine work, makes it much more difficult to be anything like so specific about the higher rewards offered in banking. The same is true, of course, of most other employments; it is only a minority of employers, most of them within the ambit of the Government service, that pay all their employees by scale. We may perhaps regard the banks and the insurance companies as falling, in more ways than this one of salaries, somewhere between Government and private employment; and the banks, at least, are more forthcoming on the pay of their higher executives than most employers in private industry.

Scarcity of Statistics

It is, indeed, one of the irritations of all who are interested in such matters that it is so extraordinarily difficult to get any generalized picture of the salaries paid in industry. Most accountants could contribute from their own experience some detailed evidence in a smaller or larger sector of the industrial field, but very few can have anything like a statistically useful set of figures. And in common experience, of course, we all hear of the vast salaries that are being paid in industry to a whole range of what professional men are sometimes tempted to regard as rather inferior products. But it is not easy to substantiate these large claims. The national income figures remind us yearly how few large incomes there are, judging at least by income tax figures; and again accountants are better placed than most to judge how far the popular imagination is justified in its picture of tycoons major and minor fiddling their income tax and causing these national income figures substantially to understate the truth.

We may look aside for a moment at local authorities' finance staffs within the governmental field in which everything is public. The report of The Institute of Municipal Treasurers and Accountants, referred to in an earlier issue of *The Accountant*[1], gave a chapter to 'Jobs and Salaries', and in it says: 'The small number of highly paid jobs in the service is very noticeable. Of the 30,088 officers covered by this inquiry, only 281 receive salaries with maxima above £2,000; 15,325 people are employed by the major authorities; 172 of them receive salaries with maxima over £2,000; 56 of these being over £3,000 and 3 over £4,000. Only 72 salaries over £2,000 maxima are shared among the 12,582 county district employees.'

To set against these figures we may take those given by the chairman of Barclays Bank in a newspaper article last October, before the extensive salary alterations of the end of the year in Barclays: more than 400 salaries of (not salaries with maxima of) £2,000 and over, 21 salaries of £5,000 and over. And the staff of Barclays has been advertised as over 20,000. It is, of course, just this kind of comparison which, carried outwards into the wider fields of industry, would be really illuminating. But without any such wider comparison it is relevant to have in mind still the picture of the national income figures, so far as we are prepared to accept them as accurate: in 1956, 355,000 incomes of £2,000 and over, 64,000 of £5,000, in a total, male and female, of 26 million incomes. It would seem that banks are above, as local authorities are below, the national average.

---

[1] *The Accountant*, July 19th, 1958, page 63: on *Local Authorities Finance Staffs*, by Roy Sidebotham, B.A.(COM.), A.I.M.T.A, A.A.C.C.A., (I.M.T.A. 5s.)

Opportunities for Accountants?

The current *Directory of Opportunities for Qualified Men*[1] lists alphabetically a large number of businesses offering employment to men with a variety of qualifications. Accountants who read this otherwise extremely informative book with their own qualifications in mind will find in it an interesting demonstration of the extreme reluctance of employers to disclose any substantial information about salaries paid. There are twenty-eight references in the index under 'Accountants'; almost every entry has a 'Salaries and Pensions' heading, but only three give any figures at all, the rest ringing the changes on such unenlightening sentences as 'commencing salaries vary according to experience' and 'there is a pension scheme for all the staff'. Of the three exceptions one is a bank, the Midland (the only bank appearing in the book). All three are perhaps worth quoting:

> '*British Tabulating Machine Co Ltd*
>
> Commencing salaries vary according to experience, from £600 a year to £1,650. It is the company's practice to review all salaries at least once a year. There is a contributory pension scheme run by the company based on a retiring age of 65 for men and 60 for women.'
>
> '*The Local Government Service*
>
> . . . An officer whose duties require him to possess the final qualification of a recognized accounting, engineering or architectural body will, for example, be on a salary scale not less than £750 rising to £1,030. Promotion to the many higher paid posts . . . will depend on the factors referred to above. . . .'

TABLE II

Barclays Bank Salary Survey – January 1958

Branch Managers

Percentage receiving salary		
between	£1,350–£1,549	20
,,	£1,550–£1,749	35
,,	£1,750–£1,999	27·4
,,	£2,000–£2,499	14·1
	£2,500 and over	3·5

Chief Clerks

Percentage receiving salary		
between	£1,050–£1,099	·8
,,	£1,100–£1,149	9·3
,,	£1,150–£1,199	25·1
,,	£1,200–£1,299	51·5
,,	£1,300–£1,400	11·7
	£1,401 and over	1·6

Unappointed Men

Between 32 and 35	between	£841– £900	51·5
,, 36 ,, 39	,,	£901–£1,000	54
,, 40 ,, 50	,,	£901–£1,000	53·5
	,,	£1,001–£1,005	30·1
,, 51 ,, 60	,,	£1,001–£1,050	30·5
	,,	£1,051–£1,100	27
	,,	£1,101–£1,150	16·5

> '*Midland Bank*
>
> Graduates usually enter the Bank between the ages of 22–26 when the appropriate salary is £399–£630 a year (£454 to £697 in Central London). By 31 they will be earning a minimum of £787 (£854 in Central London). . . . A considerable proportion of the staff hold official appointments which carry remuneration ranging from approximately £1,300 to £3,000 per annum; the highest posts within the Bank, for which rewards are much greater, are open to any member of the staff.'

It is obvious enough that even the small amount of concrete in these entries stiffens them considerably; and despite the rather heavy wording the bank entry is the strongest of the three in the statement that £3,000 is within everybody's reach, with 'much greater' rewards still in sight. We have to guess how much the general managers of a bank get, but at least we are given a fairly advanced starting-point: if there are even a handful of branch managers getting £3,000 then three or four times as much for the top executives would not seem unreasonable guessing. It is tempting to suggest that the best recruiting statement that any reasonably well paid business could make would be the salaries of its top ten executives coupled with the total number of staff: when initial rewards show comparatively small differences the height of the ceiling is a matter of absorbing interest to the intelligent recruit.

---

[1] Cornmarket Press, London, 8*s* 6*d* net.

Ordinary Level Recruits

How far in fact do the banks seek recruits of more than G.C.E. ordinary level? It would seem hardly at all, although all of them are prepared to accept graduate recruits. Some of them, indeed, offer graduates some advantage over scale salaries. But it seems fairly certain that despite all immediate post-war warnings of the dearth of grammar school boys it will be these who will staff the banks in the future as they have staffed them in the past. It is, of course, very relevant to have this fact in mind when bank salaries are discussed: all the salaries, from bottom to top, are offered to men who come to the banks for the most part with no specialist qualifications at all. They have to acquire their banking qualifications after they join the staff; but they are for the most part ordinary 'school-leavers' on entry.

A Barclays Cross-section

Another table (Table II) will serve to fill in some of the gaps of this rather sketchy survey. It is compiled from the unusually detailed information published by Barclays Bank Staff Association in their new magazine *Essay* earlier this year. The Association conducted its own survey of Barclays' salaries in January last, and their sample was 'in all categories at least 25 per cent and in some cases 40 per cent of the relevant total'. The survey took in all staff up to branch managers, but none above that rank; and it may be added that Barclays has over 2,000 branches, of which perhaps 1,500 are full branches, with managers. In the absence of any similar figures from other banks it is, of course, impossible to say how typical these are of banking as a whole. But it is fair to assume that they are not wildly different from the general banking figures; and the overall impression they give is of a salary structure that stands comparison with any other published figures. It would be interesting indeed to know of any other employment comparable in size, security and the scope for 'ordinary level to general manager' progress, that can better it.

Limitation of Rates—I

Premises Occupied for Charitable and Similar Purposes

by SPENCER G. MAURICE

SECTION 8 (1) (*a*) of the Rating and Valuation (Miscellaneous Provisions) Act, 1955, limits the liability to rates of

> 'any hereditament occupied for the purposes of an organization (whether corporate or unincorporate) which is not established or conducted for profit and whose main objects are charitable or are otherwise concerned with the advancement of religion, education or social welfare'.

That it is by no means easy to determine whether or not in any particular case relief under this provision may successfully be claimed is evidenced by the number of cases which has already been before the Courts. It is the object of this article to examine the nine cases which have been reported so far, with a view to discovering what rules and principles emerge from them. In two of those cases relief under Section 8 (1) (*a*) has been successfully claimed, in seven the claim has failed. The claims of the ratepayers have been variously based, on the advancement of religion, on the advancement of education, and on the advancement of social welfare.

Insurance

The claim of the ratepayer in *Chartered Insurance Institute v. Corporation of London* ([1957] 2 All E.R. 638) was based on the contention that the main objects of the organization were concerned with the advancement of education. The main object of the Chartered Insurance Institute as set out in its charter was:

> 'To provide and maintain a central organization for the promotion of efficiency, progress and general development among persons engaged or employed in insurance, whether members of the Institute or not, with a view not only to their own advantage but to rendering the conduct of such business more effective, safe and scientific, and securing and justifying the confidence of the public and employers by reliable tests and assurances of the competence and trustworthiness of persons engaged or employed in insurance.'

'In other words,' as Lord Goddard, C.J., put it in delivering the leading judgment in the Divisional Court of the Queen's Bench Division,

> 'the Institute is set up for the purpose of getting a

competent and reputable body of insurance practitioners'.

A number of other objects was set out in the charter, some of which the Court was prepared to accept as being educational, while others clearly were not. One object was concerned with the relief of necessitous members of the profession. The educational work of the Institute consisted of oral tuition by lectures and classes, the organizing of curricula by other bodies for Institute members and others, postal tuition, and the conduct of examinations, the whole of the tuition service being under a director of education. Fees were charged to students.

Benefit to Members of Profession

In holding that the ratepayer was not entitled to relief the Court applied a dictum of Lord Macnaghten in *C.I.R. v. Forrest* ((1890) 15 App. Cas. 334, 354; 3 T.C. 117), who, in considering whether the Institution of Civil Engineers was entitled to exemption from corporation duty on property applied for the promotion of science, said that he could not doubt that mechanical science, as employed in civil engineering, was science within the meaning of the exemption, and continued:

> '. . . The question at issue may be stated shortly. Is the property of the Institution . . . legally appropriated and applied for the promotion of the science of civil engineering, or is it legally appropriated and applied for the benefit of civil engineers in order to enable them to practise their profession to greater advantage?'

In the first case, where the property was used for the advancement of science, it was exempt from duty; in the second case, where it was applied for the benefit of civil engineers, it was not.

Applying that principle to the case of the Chartered Insurance Institute, the Divisional Court found that it was not concerned with the advancement of education – that is to say, with education for its own sake. Lord Goddard, C.J., with whom Byrne, J., agreed, found that on the true construction of the charter the Institute's main object was to benefit the profession of insurance generally, while Devlin, J., on the evidence of the activities of the Institute, found that, as a matter of construction of the charter, the purpose of the Institute was to enable the persons employed in insurance to practise insurance to greater advantage.

Friendly Society

Lord Macnaghten's dictum was applied by the Court of Appeal when, in *Trustees of the National Deposit Friendly Society v. Skegness Urban District Council* ([1957] 3 All E.R. 199), it affirmed the decision of the Divisional Court ([1957] 1 All E.R. 407) that the National Deposit Friendly Society was not entitled to relief under Section 8 (1) (*a*) as being an organization the main object of which was the advancement of social welfare. The House of Lords has very recently ([1958] 2 All E.R. 601) confirmed the decision of the Court of Appeal, but this fact makes it none the less desirable to consider at some length the judgment of the Court of Appeal, since it has been referred to in several later cases, which are dealt with below.

The Society was registered as a friendly society. *Inter alia*, it was the occupier of a convalescent home, and it was in respect of these premises that relief was claimed. This home was open to members of the Society whose subscriptions were not more than four months in arrear in accordance with the rules and without charge. The policy of the Society in the investment of its accumulated funds was to choose investments which offered the highest return of income consistent with security of capital, and no attempt was made to select investments with a view to capital accretion. Its income was directed to the payment of interest on the members' deposit accounts, the maintenance of sufficient funds to provide on an actuarial basis for the benefits to which the members were entitled in accordance with the rules, and the payment of expenses and management.

How Far is Exemption Extended?

The Court of Appeal found that although as a result of its conduct of mutual insurance amongst its members the Society had accumulated reserves, nevertheless it was not established or conducted for profit, the earning of profits being purely incidental. The House of Lords had no difficulty in agreeing with this view.

As the activities of the Society did not involve any benefit to the community or to any section thereof, as opposed to individuals linked together by some private qualification, the Court of Appeal found that no object of the Society could be said to be charitable. This fact was not, however, necessarily fatal to the ratepayers' claim, because as Parker, L.J., delivering the judgment of the Court, pointed out, the words 'or . . . otherwise' in the phrase 'or . . . otherwise concerned with the advancement of . . . social welfare' in Section 8 (1) (*a*) obviously extend the objects in respect of which relief is given to objects which are not charitable in the legal sense. His lordship pointed out that the real question was how far that extension went, adding that the provision in question was an exemption from rates at the expense of the general body of ratepayers, and, that being so, the Court thought that it would be right in the case of any doubt to give the words a restricted meaning.

Their lordships thought that 'welfare' denoted a state of being well, whether in the physical, mental or material sense, and that, although what the word 'social' added was far from clear, in its context prima facie it meant the well-being of individuals as members of society. The result was that the expression 'social welfare' was very wide and very vague. In view of the wide meaning which Lord Tucker attributed to the phrase 'the promotion of social well-being' in *C.I.R. v. Baddeley* ([1955], A.C. 574; 34 A.T.C. 22; 35 T.C. 661), their lordships concluded that, unless some restriction could be implied from the context, the provision of benefits which tended directly to improve the health or conditions of life of individuals came prima facie within the expression 'social welfare'. In the House of Lords, Lord MacDermott doubted whether that conclusion might not go too far, saying that the expression seemed to him to savour more of those needs of the community which, as a matter of social ethics, ought to be met in the attainment of some acceptable standard.

Advancement of Social Welfare

Their lordships thought that the restriction was to be found in the phrase 'objects . . . concerned with the advancement of . . .', and pointed out that an organization may in fact advance social welfare in the sense of affording benefits to its members, but nevertheless not have as its object the advancement of social welfare as an end in itself or for its own sake. In the dictum referred to, Lord Macnaghten had recognized that the fact that an institution benefited its members would not necessarily prevent its object being concerned with the advancement of science: so, decided the Court of Appeal, the fact that an organization afforded benefits to its members would not necessarily prevent its object being concerned with the advancement of social welfare.

But it was pertinent to consider the persons to be benefited and the source of the benefits. Where the benefits were confined to the members of an organization and were derived entirely from those members' contributions, as in the instant case, it was difficult to say that the object of the organization was the advancement of social welfare for its own sake, even though the benefits themselves might advance the well-being of the individual members, and though 'concerned' was a wide word, it could not be read as bringing in as an object something which was incidental. Looked at in that way it was impossible to say that the main objects of the Society were concerned with the advancement of social welfare, so that its claim for exemption under Section 8 (1) (*a*) must fail. Furthermore, their lordships adopted the point which Lord Goddard, C.J., had made in the Divisional Court, that it was remarkable that if Parliament had intended that friendly societies which carried on the activities which the Society in the present case carried on should have special treatment with regard to rates, it did not say so in plain terms.

The Law Lords' Views

The decision of the House of Lords also rested on the fact that there was not 'advancement' of social welfare within the meaning of Section 8 (1) (*a*), though Lord Keith of Avonholm thought the scope of the section difficult of precise definition, the varieties of organizations to which the terms of the statute might be thought to apply being infinite and requiring each to be considered on its own merits. Lord MacDermott found it impossible to regard Section 8 (1) (*a*) as referring to two categories of main objects – the one charitable, the other not – which had no feature or quality in common. Even though the objects which constituted the second category – 'the advancement of religion, education or social welfare' – were not charitable, there could be no doubt that they were akin to what was charitable and had been intentionally described as such, and his lordship found in the use of the word 'advancement' in the second category a common factor with the legal concept of charity, the word being one long associated with charitable purposes and standing for something of importance in what was legally charitable. 'Advancement' appeared to reflect that quality of a valid charity that it must be substantially altruistic and benevolent in its purposes: used in relation to what was charitable it must be construed as implying a desire to do good to others. So, too, Lord Denning said that 'advancement' connoted, to his mind, the concept of public benefit: and he said the same of 'social welfare'.

(To be continued.)

Weekly Notes

New Spirit in Banking

THE ending of the 'credit squeeze' is producing some lively movement in a banking structure which had been static for so long that there had been accusations of rusted immobility. Only a short time after the general entry into hire-purchase, led by Barclays' purchase of an interest in United Dominions Trust, there have now been two further developments within a week. On Thursday of last week, Barclays led the field again with the announcement of a one-for-four scrip issue; and last Tuesday the Midland Bank announced the introduction of a personal loans scheme for its customers.

Bank shares are not normally an exciting corner of the market, but recently there has been some brisk buying, and of course not of Barclays alone; it is widely assumed that there will be bonuses for other bank shareholders, too. What has happened in Barclays, in its two post-war reshuffles of stock, can be summarized in outline – the holder of £100 of their old 'B' stock in 1950 who then had 14 per cent on his holding will be expecting to receive 12 per cent in 1959, but on just twice the amount of stock.

The Midland personal loans provide a further shaking up of the banking conservatives who, only a few brief months ago, had their first shock in Barclays' appointment of a woman branch manager. Again in brief outline, the bank offers its customers loans for almost any domestic purpose, without security, repayment being made on something like a hire-purchase basis, and interest being charged on the initial amount at 5 per cent; the effective rate overall being thus close to 10 per cent. This should show a useful profit for the bank, but the rate is still substantially less than that charged for most hire-purchase contracts, and bank loans are to be insured, so that if the borrower dies his loan is automatically paid off.

As this note is written the Westminster has already committed itself to following the Midland lead, and the other banks are unlikely to be long in joining in. There may be some who will shed a tear for the dignity of yesterday, but there are certainly far more who will cheer on this interestingly competitive new spirit in English banking.

Still in the Air

THE Select Committee on Nationalized Industries (Reports and Accounts) has so far produced reports on the North of Scotland Hydro-Electric Board, the South of Scotland Electricity Board and the National Coal Board.[1] Since May of this year, the Committee has been hearing expert evidence with a view to reporting on the financial affairs of the British European Airways Corporation and the British Overseas Airways Corporation but, as it was unable to complete its inquiry before the end of the last Parliamentary session, it recommends in a special report, published last week, that a similar committee be appointed in the next session to continue its work.[2] Among those who have submitted oral evidence to date are Sir Gerard d'Erlanger, K.B.E., A.C.A., Mr Basil Smallpeice, B.COM., A.C.A., and Mr K. W. Bevan, A.C.A., chairman, managing director and financial comptroller respectively of British Overseas Airways Corporation, and Mr R. L. Weir, O.B.E., C.A., financial controller of British European Airways Corporation.

Blackpool Building Society Board Dismissed

A SOMEWHAT animated meeting of the shareholders of the Blackpool Building Society held at Blackpool on Monday ended with resolutions removing Mr George Carlton from the offices of secretary and managing director and also removing all other directors from office. It was also resolved to refer the Society's affairs to the Director of Public Prosecutions; and a caretaker committee of management of five members, under the chairmanship of Alderman William McKeag, a Newcastle upon Tyne solicitor, was appointed. Mr I. G. Thorpe, the northern manager of the Society, was appointed temporary secretary and acting manager. Mr Carlton had told the meeting that negotiations relating to the sale of the Society's London premises had been going on and would produce ample funds to pay those who wanted their money back and to provide further loans. The meeting was adjourned until September 8th.

After the new committee had met, it was stated that Mr Carlton had refused to hand over any property until he had taken legal advice. Mr Carlton challenged the validity of the proceedings at the general meeting.

Matrimonial Proceedings (Children) Act, 1958

THE Law Reform (Miscellaneous Provisions) Act, 1949, enabled a wife to apply to the High Court for periodical payments for herself or for her infant children where the husband had been guilty of wilful neglect to maintain them. This new provision became Section 23 (1) of the Matrimonial Causes Act, 1950, which consolidated the statutes relating to divorce and kindred matters. In *Logan v. Logan* ([1954] 2 All E.R. 619), a wife asked for an order under this provision under which the payments for the infant children should be payable direct to them. The advantage of such an order where the wife is liable to income tax but the children are not is obvious. However, the Court held that it had no power to make such an order. The Court has now been given this power by Section 4 (2) of the Matrimonial Proceedings (Children) Act, 1958. It can also order payment to be made to any third party on behalf of the infant children. This Act received the Royal Assent on July 7th, 1958, but Section 18 (4) provides that Part I of the Act, which includes Section 4, shall come into force on such day as may be appointed by the Lord Chancellor.

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[1] See *The Accountant*, December 7th, 1957, page 660 and May 17th, 1958, page 577.

[2] *Special Report from the Select Committee on Nationalized Industries (Reports and Accounts)*. H.M.S.O. 6*d* net.

In a Weekly Note in our issue of August 2nd, 1958, under the heading 'New Statutes', these new provisions were inadvertently attributed to the Divorce (Insanity and Desertion) Act, 1958.

Women for Accounting

WHEN, greatly daring, we used the above heading in reverse for a leading article in our issue of February 15th this year, we received a number of letters pointing out that there is no accounting for women. As the truth or otherwise of this observation (as interpreted by our correspondents) has been the subject of constant male conjecture since Adam was little more than a boy, it did not seem necessary to renew the inconclusive argument in these columns, also dedicated to fairness but in its strictly abstract form.

Our use this week of the reversed heading is not, as it happens, a gesture of self-defence. The order of the words is exactly appropriate to describe a booklet[1] just issued jointly by the American Woman's Society of Certified Public Accountants and the American Society of Women Accountants giving brief sketches of the careers and activities of the present and past presidents of the two societies. From these synopses, it is possible to put together a composite picture of what a leading woman accountant in America looks like. The portrait, as one might expect, is conventional. Rather less than half are married. Their hobbies are in the main domestic – cooking and gardening for the most part – although poetry, art and music are enjoyed and, in some instances, practised and quite a number include travel among their other recreations. One thing is common to them all and that is that, apart from pursuing their own apparently very successful careers, they have devoted much time to the progress of their profession in general and, in particular, to the standing of their sex in it.

Smaller Rise in Weekly Earnings

THE provisional figures issued by the Ministry of Labour for average earnings of manual workers show that the increase in earnings between October 1957 and April 1958 was the lowest for any six-monthly period since 1947. Average weekly earnings of all workers in all industries covered by the inquiry were £10 14*s* 1*d* in April 1958, which is 1*s* 8*d* higher than in October 1957 and 9*s* 6*d* more than in April 1957.

The latter figure represents an increase of 4·6 per cent on the year which is equal to the rise in basic wage rates over the period. In previous years earnings have increased more rapidly than wage rates and over the whole period since 1947 earnings rose by 106·8 per cent against an increase of only 76·4 per cent in basic wage rates. One reason for the change in the last half-year was that average weekly hours worked, which reached a peak of 46·9 three years ago, fell from 46·4 in October 1957 to 46·2 in April 1958.

In manufacturing industry the rise in average earnings between October and April was even less, amounting to only 9*d* though over the year as a whole the increase was 9*s* 8*d*, approximately the same as the average rise for 'all industries'. Hours worked in manufacturing industry fell from 45·8 to 45·5. If the Government is successful in steering a middle course between the dangers of industrial recession and those of renewed inflation, it is possible that the rise in earnings over the year 1958–59 will be even lower than in the past year, but if at the same time the cost of living and the incidence of direct taxation can be reduced there may nevertheless be a substantial improvement in real earnings. The main danger is that the public have during the years of inflation become accustomed to rapid increases in earnings without paying attention to the accompanying rise in the cost of living.

Terms of Trade Continue Favourable

THERE was a further improvement in the United Kingdom's terms of trade in July following a slight rise in import prices in June. In spite of intensified competition in export markets and a decline in world trade as a whole, the index for United Kingdom export prices has remained unchanged for five months at 110 on the basis 1954=100. The import price index fell by one point in July to 98 (1954=100) restoring it to the level reached in May. The steady fall in the import price level from a peak of 111 in April 1957 was virtually arrested in March this year, since when fluctuations have been confined to one point up or down. The index of the terms of trade has thus been relatively steady in the region of 89.

According to the *Board of Trade Journal* good progress was made in July in making up the loss of exports in the two previous months due to the unofficial strikes at the docks, though some carry forward still remained at the end of the month. Over the three months May to July, imports averaged £312 million per month compared with £311 million in the first four months of the year. Due to the marked improvement in the terms of trade the monthly trade deficit in the first seven months of the year averaged £30 million which is little more than half the corresponding figure for 1957.

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[1] *Introducing Women Accountants – Past, Present and Future.* American Woman's Society of C.P.A.s, Chicago.

The continuance of low import prices, while benefiting the current United Kingdom balance of payments, is not without danger for the future due to the resultant reduction in the income of primary producing countries. Australia has already announced a marked increase in the adverse balance of payments in 1957–58, and unless there is some reduction in the average price of manufactured goods exported from the United Kingdom, a decline in export demand from the primary producing countries must be anticipated.

Trends in World Trade

STATISTICS of world trade in the first quarter of this year show that the check to United Kingdom exports of manufactured goods, which began in October of last year, has now spread to most of the principal manufacturing countries of the world. The result of this has been a slight improvement this year in the United Kingdom share of world exports. A single quarter's figures are, however, insufficient to show whether this represents the end of a relatively long-term trend or is a purely temporary phenomenon.

Detailed figures of world trade recently published show that in 1957, United Kingdom exports of manufactured goods increased by 5 per cent while German exports rose by 17 per cent, Japanese by 14 per cent, United States by 11 per cent and other European countries by 10 per cent. In no single commodity did United Kingdom exports increase by as much as those from any of the leading manufacturing countries. In the past, the main reason for the relative decline in United Kingdom exports has been the fact that the sterling area is still the main overseas customer for British manufacturers. Over the period 1953 to 1956, sterling area imports of manufactured goods rose at only one-third of the world rate. In 1957, however, imports into the sterling area increased at about the world rate and the main reason for the declining United Kingdom share of total world exports was successful competition, particularly from Germany and Japan.

These statistics underline the importance to British manufacturers as a whole of the successful conclusion of the negotiations for the formation of a European free trade area. In the absence of the free trade area, Continental manufacturers, strengthened by the large-scale production which the mass market of the European common market is likely to bring about, will in the long run be in an even stronger position to invade markets in the sterling area.

Small Shops and the Pools

THE decision of the National Union of Small Shopkeepers to proceed with a scheme under which shopkeepers will make football pool entries free of charge on behalf of their customers, is an interesting attempt to resist the transfer of custom from the smaller to the larger shops. While final details remain to be worked out, the proposal is that the shopkeepers should invest a definite proporti[illegible] of turnover each week, e.g. 1*d* for each 5*s* in a permutation entry on the pools. Customers making purchases at the shop during the week would receive vouchers and if a prize were won this would be divided among them in proportion to the amount spent.

The president of the union's executive committee said recently that negotiations over details had already started with Vernons Pools, and that the executive had found no reason why the scheme should not be operated. While there is no reason to doubt the attractiveness of the scheme to shoppers, it seems doubtful whether it can provide the full answer to the problem. A number of coupon gift schemes have already been tried but one of the main difficulties of any such scheme is that increase in turnover can only be achieved by cutting into the shopkeeper's margin or by increasing his costs owing to the extra work involved. If the increase in turnover is sufficiently large this may permit a widening of the range of stock held, thus removing one of the disadvantages of the small shop. But the long-term problem of the small shopkeeper will only be solved if he is able to make a satisfactory living while competing on cost, after making due allowance for the improved service which many small shops are able to offer. In view of the number of households now interested in the football pools, a free pool entry may, of course, come to be regarded as an important service.

Building Society Restricts Withdrawals

THE Westminster Building Society (of London) has issued a circular letter to its investors saying that there has been a heavy demand by members on the Society for repayment and the liquid funds of the Society have been badly depleted. The rush had followed the recent announcement in the Press of the change of the board of directors to a new board. An order had been made by the Registrar of Friendly Societies prohibiting the Society from advertising for fresh funds and the new board was pledged to take the steps necessary to restore the Society to the position where it could advertise.

Consequent on the rush of applications for withdrawals, continued the circular, the board were reluctantly forced to pass a resolution temporarily implementing one of the Society's rules which gave the directors power to 'ration' the amount of withdrawals. 'This measure,' says the circular, 'does not in any way mean that the Society is financially unsound, and in fact, all the moneys invested in the Society are intact in the form of first mortgages upon freehold and leasehold properties, but it does mean that the liquidity of the Society is not such as to meet immediately the demands of the investors upon it'.

The new board sent a further circular letter to members last Tuesday stating that the Society's assets exceeded its liabilities and that all interest on deposits would be paid promptly on the due dates. The letter said that the new board consists of professional men: two solicitors, an accountant, an underwriter and a company secretary. It had two main tasks; to remove the restriction on withdrawals and to have the order of the Registrar of Friendly Societies rescinded. Despite the many withdrawals, the Society still had more depositors in total than at January 1st, 1958. The board was making every effort to secure temporary loans to increase the ration for those members with genuine withdrawal demands.

COHEN COUNCIL'S SECOND REPORT

The second report of the Council on Prices, Productivity and Incomes, of which the members are Lord Cohen, P.C. (chairman), Sir Harold Howitt, O.B.E., D.S.O., M.C., D.C.L., F.C.A., and Sir Dennis Robertson, C.M.G., was published by H.M.S.O. (price 2s) last Monday. It is the subject of our leading article in this issue and below we reproduce in full the Summary with which the report concluded, together with an Appendix to the report on 'The Measurement of Profit Income'.

SUMMARY

FACTS AND FIGURES

Prices

1. The *index of retail prices* continued to rise up to June. But just on 70 per cent of the rise since October 1957 was accounted for by the rise in *food* prices; and there is good reason to think that this was largely seasonal. Other sectors, apart from housing, have risen little in the last eight months.

2. There is definite evidence of a levelling-off in *export prices* and in the *wholesale price index of manufactured goods*. This has probably been helped by a sharp fall since 1956 in *basic material prices*; but it is reasonable to hope that some benefit from this fall is still to come.

Incomes

3. In 1957, the tendency for incomes of all kinds to rise too fast continued.

4. For 1958 so far, the provisional first quarter figures for *all profit income* show only a small rise (2½ per cent) above a year earlier; and, for company profits alone, there was probably a fall.

5. For *income from employment*, though the first quarter figures show no slackening in the rate of rise, later figures suggest that there has been one. Fewer workers have been given wage increases, and the average rise has been smaller.

6. In the first seven months of this year, the weighted average increase given in negotiated wage settlements was 3·6 per cent. (This figure excludes those groups of workers who have sliding scale agreements linked to the cost of living; it includes those settlements where no increase was given.)

Production and Employment

7. Both *total national output* and *industrial production* rose a little in 1957. In the first quarter of this year, national output was still a little higher than a year ago; industrial production, on the other hand, has fallen a little since the middle of last year.

8. For *employment*, all the figures – of unemployment, employment, vacancies, short-time and overtime – show some easing of the demand for labour. Seasonally corrected figures suggest this was continuing up to July.

9. *Unemployment* in July was at a figure which corresponds to an annual average of about 2·2 per cent. This year, as in previous years, it has been higher in Wales and Scotland, and much higher in Northern Ireland, than in England.

10. There have only been small changes in *productivity* recently.

Production and Incomes

11. The recent figures for profit incomes and for the size of wage settlements this year suggest that, although there is still a gap between the rise in total incomes and the rise in total output, it may have narrowed a little.

The Balance of Payments

12. The reserves, after falling £189 million from June to September last year, have – up to the end of July this year – risen £351 million, excluding the borrowing from the Export-Import Bank.

13. At the same time, from September 1957 to March 1958, other countries' sterling liabilities were reduced by £135 million.

14. The United Kingdom's short-term capital position has been considerably strengthened, mainly, it would appear, because it has been running a very substantial surplus in its current balance of payments.

HAVE THE SEPTEMBER MEASURES WORKED?

15. Since last autumn our balance of payments position has improved considerably and there is a better prospect of stable prices; on the other hand there has been some rise in unemployment and a check to production. These developments must in our view be attributed in good part to the damping down of demand resulting from the Government's

measures in September and earlier: though the tapering off of the investment boom and the fall in import prices have also contributed. Our judgment is that the policies of damping down demand have worked to an extent that fully justifies their adoption.

PROSPECTS FOR THE NEAR FUTURE

16. On the assumption that no substantial further measures are taken to raise home demand, the prospects for prices and for expenditure in real terms in the next few months may be assessed as follows:

> The price level of goods and services as a whole may be expected to be almost stable, with rising labour costs being offset, or nearly offset, by lower materials costs and lower profit margins. The retail prices index is still less likely to rise, and may even fall.
>
> Fixed capital expenditure in the public sector is likely to be roughly stable, while private fixed investment is likely to show some decline.
>
> Investment in building up stocks and work in progress is likely to be lower this year than in 1957.
>
> Government current expenditure on goods and services is expected to be roughly stationary.
>
> The volume of United Kingdom exports seems likely to fall.
>
> It seems unlikely that real consumption in the next six months will be much, if at all, above the level of the last half of 1957.

17. We must expect in the coming months to see a certain deterioration in the current balance of payments position of the United Kingdom, and a less favourable trend in the gold and dollar reserves.

18. There is evidence that a number of important industries have unused capacity, and unless demand increases it seems likely that the amount of unused capacity will increase.

19. The measures taken by the Government so far, which consist in the main of removing the September 1957 restrictions, are not certain to give sufficient encouragement to business confidence and so to private investment.

20. The Government could raise public investment by removing the ceiling imposed in September 1957. As means of encouraging private investment it could use easier credit terms, investment (or initial) allowances, or both methods. Consumption could be stimulated by tax remissions or relaxation of the restrictions on hire-purchase.

21. The degree to which demand can be raised without running into bottlenecks is likely to be overestimated if we accept the estimates of unused capacity without qualification. The margin for expansion without raising labour costs is probably still smaller. It must in our view be a definite aim not to return to levels of demand similar to those of the peak years of the past

22. Expansion would tend to reduce our balance of payments surplus.

23. An increase in loans and credits abroad may well be judged to be of mutual advantage to lender and borrower. That different countries should keep in step in expanding would have advantages, but would also present some dangers.

24. In these circumstances it seems clear to us that while policy should aim at an expansion of demand, it must proceed gradually and with caution.

THE LONGER VIEW

25. For as far ahead as it is useful to look, it will be necessary to avoid levels of demand as high as the peak levels of the past, if inflation is to be prevented.

26. A speeding up of the preparation of economic information would assist towards the rather delicate regulation of economic activity which is called for.

27. If peak levels of demand are avoided, it can hardly be expected that the average level of unemployment over a period of years will be quite so low as in the last decade.

28. As a result, the problem of local concentrations of unemployment is likely to be somewhat more serious. The policy of bringing work to the workers has definite limits, and facilities for retraining and assistance to enable the workers affected to move should be generous.

29. We should think of this year's relatively low level of wage increases as a stage in the process of getting the trend better into line with the trend of productivity. It is highly desirable that the process should be continued next year. The trend of prices may well be such that even small monetary increases will bring a real advance in purchasing power.

30. Any special stimulus to consumption expenditure should be given by tax remissions or relaxation of hire-purchase restrictions rather than by large wage increases.

31. If the pressure of demand is kept moderate, and if there is no inflationary wage-push, profits in total will tend to limit themselves.

32. In industries where productivity grows less fast than the average, the price of the goods or services produced is bound to rise even if incomes in general are rising no faster than productivity in general. It would be a mistake to think that such price increases could or should be permanently averted at the cost of cutting down the range of services the industry provides.

33. Overall price stability thus requires that in sectors where productivity rises faster than the average rate, the prices of products should be falling. The tendency to inertia displayed by prices of manufactured goods is therefore a matter of some concern.

34. The activities of the Restrictive Practices Court and of the Monopolies Commission may do something to weaken this inertia. It is relevant here, and in the context of the law relating to resale price maintenance, that the repercussions in the context of inflation were probably not given much weight at

the time of the legislation which regulates these matters.

35. The education of the consumer in the appreciation of value for money, in which there have recently been two promising new ventures, is also likely to help.

36. The present climate of opinion may exert a direct influence on the attitudes of managements. In industries where conditions give opportunities for price reductions, an adventurous attitude on the part of the firms concerned could make an important contribution to the campaign against inflation.

THE MEASUREMENT OF PROFIT INCOME

1. Appendix II of the First Report discussed some of the problems of the definition and measurement of profit income. This Appendix adds, first, some figures provided by the Inland Revenue which give a better measure of depreciation in the company sector on a 'historical cost' basis; secondly, it provides comparisons of the relative size of profit income and income from employment in that sector.

2. The figures used in Appendix II to give a rough indication of the size of depreciation on a historical cost basis were the Inland Revenue annual allowance figures. These, however, as that Appendix explained, are slightly vitiated for this purpose by the existence of the initial allowances; for if there were no initial allowances, the annual allowances would be higher.

3. The Inland Revenue have now estimated how much higher the annual allowances would have been if the initial allowances had not existed. The figures below are given for companies only, since for other profit income the fact that there are no annual allowances for commercial buildings or houses makes the Inland Revenue figures much less useful.

4. The following table shows, first, the size of the total Inland Revenue allowances, including initial and investment allowances; secondly, it shows the actual size of the annual allowances only; thirdly, it shows an estimate of how big the annual allowances would have been if initial allowances had not existed. Finally, it shows, for comparison, the Central Statistical Office estimates of capital consumption – that is, depreciation at replacement cost.

Companies' depreciation on a historical cost and replacement cost basis

£m.

	1950	1951	1952	1953	1954	1955	1956	Total 1950–56
1. Total allowances: annual, initial and investment ..	474	492	398	407	520	602	686	3,579
2. Annual allowances	247	254	287	303	363	415	480	2,349
3. Annual allowances, adjusted to the assumption that initial allowances did not exist	282	307	357	374	434	483	544	2,781
4. C.S.O. 'capital consumption' estimates	329	376	416	455	499	567	615	3,257

Notes:

1–3: the figures since 1954 have been slightly revised since the National Income Blue Book 1957.

4: National Income Blue Book, 1957, Table 57.

Companies, here and throughout, exclude companies operating overseas.

5. Over the whole period, annual allowances, adjusted to the assumption that initial allowances did not exist, come to 85 per cent of the estimate of 'capital consumption' – that is, the estimate of depreciation at replacement cost, whereas the actual annual allowances only come to 72 per cent. (It is, perhaps, of interest to note that total allowances – including initial and investment allowances – exceeded the C.S.O. estimates for depreciation at replacement cost.)

6. The next table shows how the figure of company profits is affected by these different definitions of depreciation.

Company trading profits

£m.

	1950	1951	1952	1953	1954	1955	1956	Total 1950–56
1. Gross trading profits	2,131	2,489	2,195	2,323	2,603	2,922	3,039	17,702
2. Trading profits, net of *adjusted* annual allowances ..	1,849	2,182	1,838	1,949	2,169	2,439	2,495	14,921
3. Trading profits, net of capital consumption ..	1,802	2,113	1,779	1,868	2,104	2,355	2,424	14,445

7. The different ways of estimating depreciation do not make much difference to the figures of net company profits: if the estimates of depreciation at historical cost are used (that is, the adjusted annual allowances) net profits come out about 3 per cent higher than if estimates of depreciation at replacement cost are used (that is, C.S.O. figures of capital consumption). This is true both for the whole period 1950–56 and for 1956 alone.

8. If net company profits are expressed as a percentage of the total of profit and employment incomes in the company sector, on either definition of depreciation they come out at roughly a quarter. This also is true both of 1956 and of the whole period 1950–56.

Company sector: income from employment and net trading profits

£m.

	1950–56	Per cent	1956	Per cent
1. Income from employment ..	39,566		7,246	
2. Trading profits, *less* adjusted annual allowances	14,921		2,495	
3. 2, as per cent of 1+2		27·4		25·6
4. Trading profits, *less* capital consumption	14,445		2,424	
5. 4, as per cent of 1+4		26·7		25·1

9. If 'stock appreciation' is also deducted from trading profits, this reduces the percentages given in the table above by 1·5 for 1950–56 and by 0·8 for 1956 alone.

Reviews — books from abroad

Annual Reports of Companies

by R. Keith Yorston and E. Stanley Owens.

Ownership and Control of Australian Companies

by E. L. Wheelwright, D.F.C., M.A.

Inflation and Company Finance

by Russell Mathews and John McB. Grant.

(The Law Book Co of Australasia Pty. Ltd, Sydney; Sweet & Maxwell Ltd, London, 90s, 42s and 42s net, respectively.)

Accountants and economists in Australia are by no means inarticulate. The flow of new books from that direction covering – invariably most competently – every professional aspect of business activity is seemingly continuous. On this occasion, there are three to mention, each of them broadly concerned with company accounting and finance. The first is described by the authors as 'an exposition of modern methods of preparing company annual reports' in which they and a number of guest contributors consider such matters from the viewpoints of, among others, shareholders, employees and financial editors. About one-half of the book is taken up by a lavishly illustrated chapter containing excerpts from actual reports – mainly of Australian companies. It is sometimes difficult to know when accounting ends and advertising begins in the selected examples but they certainly add a splash of colour to the authors' contention that frank disclosure should be the policy of all companies and that the information presented should be within the comprehension of the average man.

The second book on the list, an analysis and summary of company ownership and control in Australia, is mainly of indigenous interest although useful comparisons are drawn with results obtained from similar British and American studies. The chief conclusion reached is that the Australian economy is following the same pattern as those of Britain and the United States. Capital, judging from the dispositions disclosed by the 102 large companies included in the review, is becoming so widely spread among shareholders as to transform individual companies into impersonal institutions. Control, on the other hand, is becoming divorced from ownership and is being concentrated into small directing groups of 'virtually self-perpetuating oligarchies, with varying degrees of minority ownership'.

The third and most important book from the angle of the accountant is a study of the impact of inflation on company finance. It is demonstrated that whereas accounting profit shown in present-day company financial statements is based on historical sales prices, costs and expenses, what really matters as far as financial stability is concerned is that each company must base its policy on the known amount of current income which is the balance of sales less costs and expenses, all expressed in current prices. Taxation, it is suggested, should be based on current incomes rather than on historical accounting profits, thus distributing the burden more equitably according to the taxable capacity of the individual companies. Dividends and accretions to reserves, it follows, would be calculated on the same basis.

Messrs Mathews and Grant have written a provocative book. It contains little that is new but it restates clearly the essence of a problem which will always be with the world so long as the purchasing power of money continues to be unstable.

Company Law through the Cases

by H. R. Hahlo, assisted by Ellison Kahn. (Juta & Co Ltd, Cape Town and Johannesburg. 80s net.)

The authors of this new book are professors of law at the University of Witwatersrand and they are to be congratulated both on the idea of the book and in the manner in which they have carried this out. For the student, the accountant or the company secretary lacking easy access to a law library, the verbatim selections from about 350 leading company law cases will be of very great value in bringing out, in the inimitable language of the judgments, the fundamental principles of company law. This is, of course, a South African book, but the great majority of the judgments are British judgments and the book is therefore of value here too, for there is no comparable British work. The cases are grouped under subject headings so that if one has a problem on a particular aspect of the law, it is an easy matter to read through Professor Hahlo's selection, and then, if necessary, to look up the other reports mentioned in his notes.

Capital Taxation in a Developing Economy

by I. S. Gulati, PH.D. (London). (Orient Longmans Ltd, Calcutta. 25s net.)

The theme of this book is the case for an annual tax on capital which would provide funds for the finance of investment necessary to raise living standards in an under-developed economy. Written originally as a doctoral thesis the book consists of two parts, the first of which is a theoretical analysis of the economic effects of such a tax. The second and slightly longer part is devoted to a discussion of the need for and practicability of imposing such a tax in India. The basic case for the tax is that the current rate of saving is quite inadequate to provide the level of investment needed within the economy.

The author has an interesting chapter on the problems of the Indian economic planners. He served as an assistant to Mr Kaldor when the latter was preparing his report on the state and reform of the Indian fiscal system and he is also credited with having edited that report. His present book contains a postscript in which the main features of that report and the government's fiscal measures to date are discussed briefly. The latter include a capital gains tax, a wealth tax and an expenditure tax.

Recent Indian comment on her fiscal policy alone makes it quite clear why foreign investors are giving India a wide berth. No doubt her political importance to the Western bloc will ensure an intermittent if unwilling stream of government sponsored funds to sustain her over-ambitious economic plan. This work by Dr Gulati is interesting because of the light it throws on what may be assumed is the outlook of an informed Indian towards his country's economic problems.

Besteuerung der Auslaender (Taxation of Foreigners)

by Rechtsanwalt Arnold Heining (Taxation Department, Federation of German Industry, Cologne).

This book deals comprehensively with the position in the Federal Republic of Germany of foreign individuals and enterprises under the provisions of the German law on income tax, corporation tax, turnover tax, property tax, tax on capital import, tax on commercial and industrial establishments, estate duty, and double taxation.

It includes a brief survey of the outlines of the various kinds of German taxes as imposed by State law or by local authorities, and in an appendix the double taxation conventions of the Federal Republic with other countries.

After an analysis of the provisions of the German tax law on 'residence' of individuals and bodies, the author deals with the principles of the double taxation conventions of the Federal Republic, among others with the United Kingdom. He explains the taxation of foreign income and profits of residents and the lump-sum taxation agreements which the German income and property tax laws offer to persons intending to take up residence in the Federal Republic.

The main part of the book deals with the special provisions of the German law on taxation of non-residents ('beschraenkte Steuerpflicht'). They are liable to tax on income and profits from sources within the Republic and on property situated there.

The tax on commercial and industrial enterprises ('Gewerbesteuer') is due in respect of permanent establishments in Germany. In case of a lump-sum taxation agreement in respect of income or corporation tax, the liability to 'Gewerbesteuer' can also be settled by a lump-sum agreement with the competent taxation authority.

The import of capital or capital assets by a foreign company to its German establishment or subsidiary company is subject to a special tax of 3 per cent ('Gesellschaftssteuer') which is also due where a foreign company transfers its residence to the Republic of Germany.

In view of the growing economic co-operation between the United Kingdom and the Federal Republic of Germany, this introduction to German taxation law in respect of foreigners by a leading German tax expert is invaluable. (It is, of course, in the German language.)

Deutsch-Englisches Glossarium Finanzieller und Wirtschaftlicher Fachausdrüke (German-English Glossary of Financial and Economic Terms)

Third Edition by C. A. Gunston and C. M. Corner. (Fritz Knapp Verlag, Frankfurt-am-Main, Germany; Patria Translations Ltd, London. 68*s* post free.)

To anyone faced with the task of translating documents originating in Germany, Austria or Switzerland, or reading the business and economic periodicals and textbooks of those countries, this book is an absolute must. No ordinary dictionary can hope to cope with the scores of new terms which have arisen since the Second World War and which are by no means self-explanatory. Who for instance would guess that a 'Dachgesellschaft' was a holding company, or that 'Ost-West-Werte' were 'securities of companies which are now domiciled in the German Federal Republic, are working there at a profit, and have written down their Eastern assets to a *pro memoria* figure'? The book is a veritable mine of information. Consider this entry:

> 'Konten C are agreement accounts through which payments are effected between Switzerland on the one hand and Austria, Germany, the Netherlands, Norway or Sweden on the other. Amounts credited to these accounts by foreign countries, but not admitted by the Swiss authorities to European Payments Union clearing, are held by Swiss banks on so-called "compte provisoire". q.v.'

There are over 800 pages of information of this kind, compiled by people who obviously spend their lives grappling with the problems of reproducing in English the precise nuances of all the jargon of German business and tax finance.

RECENT PUBLICATIONS

APPLIED STATISTICS FOR ECONOMISTS: A Course in Statistical Methods, by P. H. Karmel. xi+452 pp. 9×6. 65*s* net. Sir Isaac Pitman & Sons Ltd, Melbourne.

WHAT IS THE LAW? NO. 2: ADVANTAGES OF TRADING AS A LIMITED COMPANY, second edition, by Thos. A. Herbert, LL.B.(HONS.), Barrister-at-Law. 27 pp. 7½×5. 2*s* 6*d* net, by post 3*s*. Anglo-French Press Agency Ltd, 156 Strand, London, WC2.

INTEGRATED COST CONTROL IN THE OFFICE, by Frank M. Knox. NOMA Series in Office Management. xi+293 pp. 9½×6½. 58*s* net. McGraw-Hill Publishing Company Ltd, London.

MONEY AT WORK, A Survey of Investment, edited by Milton Grundy, M.A. xi+244 pp. 8×5. 17*s* 6*d* net (U.K. only). Sweet & Maxwell Ltd, London.

TAX CASES reported under the direction of the Board of Inland Revenue, Vol. 37, Part 8 (pages 517–591); Part 9 (pages 593–663). 9¾×6. 3*s* net, each. H.M.S.O., London.

Finance and Commerce

Canadian and English

THE accounts of Canadian and English Stores Ltd for the year to January 31st, 1958, which we reprint this week, continue the record – one of the most sorry stories of commercial enterprise for many years – from our issues of September 7th, 1957, and March 29th, 1958. It will be recalled that the company ran into losses of over a million pounds and that a shareholders' committee under the chairmanship of Mr S. R. Hogg, D.S.O., M.C., F.C.A., was appointed to investigate the position.

The committee reported on the company's history from its incorporation at the beginning of 1951, the manner in which by several share offers the public investor was drawn in, and the subsequent collapse of the business in the face of the Government's hire-purchase restrictions.

The committee's view, however, was that the restrictions on hire-purchase were only partly responsible. Their opinion was that the greater part of the exceptional losses on stocks was caused by the company having to take back goods sold on terms which did not comply with the regulations. Among other things, the committee criticized the method of dealing with bad and doubtful debts.

Capital Scheme

A statement by Mr Hogg for consideration with the report and accounts now issued runs to seven printed foolscap pages. Central points are the decision to sell Pooles Central Warehouse Ltd, the principal English subsidiary, which put into the accounts to January 1957 a loss of no less than £1,252,474; and the outline of a scheme of arrangement for shareholders.

Mr Hogg points out that the company's share

PROPOSED SCHEME OF ARRANGEMENT

The following is a statement of the Share Capital and a summary of the respective Rights attached thereto:—

	Authorised and Issued (all fully paid)	*RIGHTS*			*Votes*
		As to profits, out of profits determined to be distributed	*As to Capital, in a Winding-up*	*As to Voting*	
2,500,000 Non-Cumulative Preference Shares of 4s each.	£500,000	First Priority, Non Cum. Div. at the rate of 25 per cent p.a.	First Priority, repayment of Capital plus 25 per cent of any "surplus".	4 Votes per share, but only in certain circumstances, which now apply.	10,000,000
1,250,000 Preferred Ordinary Shares of 4s each.	250,000	Second Priority, Non Cum. Div. at the rate of 60 per cent p.a. plus one-fifth of any balance.	Second Priority, repayment of Capital plus 37½ per cent of any "surplus".	4 Votes per share, but only in certain circumstances, which now apply.	5,000,000
2,500,000 Ordinary Shares of 1s each.	125,000	Third Priority, Non Cum. Div. at the rate of 250 per cent plus ⅖ of any balance.	Third Priority, repayment of Capital plus 18¾ per cent of any "surplus".	1 per share.	2,500,000
2,500,000 Deferred Ordinary Shares of 1s each.	125,000	Fourth Priority Non Cum. Div. at the rate of 250 per cent plus ⅖ of any balance.	Fourth Priority, repayment of Capital plus 18¾ per cent of any "surplus".	1 per share.	2,500,000
Nominal Value of Issued Capital ..	£1,000,000				20,000,000 Votes

The following is a statement of the Loan Stock (following the cancellation by Mr Brooks of *£375,000* Loan Stock) and a summary of the respective rights attached thereto:—

	Interest at 5 per cent per annum	*Repayment*
£125,000 "A" Loan Stock	From 26th March, 1959	By four equal five-yearly instalments commencing 26th March, 1962.
£500,000 "B" Loan Stock	From 26th March, 1962	By twenty-five equal yearly instalments commencing 26th March, 1959.
£500,000 "C" Loan Stock	do.	do.
£500,000 "D" Loan Stock	do.	do.

investment in Pooles is of no value and the advance worth less than face value. It was considered better to accept an offer from United Drapery Stores Ltd to buy the capital and the debt, than to run the business down and liquidate.

The complexity of the capital rights to be considered in any scheme of arrangement can be seen in a statement of the share capital which is reproduced from Mr Hogg's statement. Also reproduced is a statement of the Loan stock which, in the main, represents moneys received by the chief vendor of the shares to the public and put into the company by way of loan.

The scheme envisages cancellation of £125,000 'A' Loan stock, £500,000 'B' and £125,000 'D' Loan stock. A further £125,000 'D' Loan stock will be converted into 2,500,000 1*s* Ordinary shares, and the remaining £250,000 'D' Loan stock will be repayable by two equal yearly instalments, but either instalment may be reduced if the Board's opinion, after consultation with the auditors, is that the group has insufficient cash resources and provided the whole is paid off in three years. No interest will be payable during such period. The £500,000 'C' Loan stock remains unchanged as regards interest and repayment.

Future Earnings

Dealing with the share capital, the scheme repays the 2½ million 4*s* Non-cumulative Preference at par by way of reduction of capital. Each of the 1¼ million 4*s* Preferred Ordinary become one 15 per cent 2*s* Preference, cumulative from February 1st, 1960, and two 1*s* Ordinary. The 2½ million 1*s* Ordinary remain unchanged but rank *pari passu* with the Ordinary issued under the scheme. The 2½ million 1*s* Deferred shares, all of which are held by Mr Brooks, the chief vendor of the shares and loan stock holder, will be cancelled.

If the scheme is finally presented in that form and passed, the share capital will become 1,250,000 15 per cent 2*s* Preference and 7,500,000 1*s* Ordinary shares.

Mr Hogg says the Board feel it their duty to advise shareholders that it is unrealistic to expect that the large profits mentioned over the last four years (when successive slices of the capital were being sold off to the public) can now be realized.

The best that can be hoped for is to consider future earnings, before tax, as running at £200,000 upwards per annum, and that can only be envisaged when the Poole's position is finally cleared up.

The possibility is seen of paying the full dividend on the Preference shares as from February 1960, and to begin Ordinary dividends within the same or succeeding financial periods.

Shareholders who considered Mr Hogg's proposals at the annual meeting of the company last week apparently appreciated the major salvage operation being put into effect.

Next Week's Reprint

The accounts of Hovis-McDougall Ltd will provide the reprint in next week's issue.

CANADIAN AND ENGLISH STORES LIMITED

BALANCE SHEET AS AT 31st JANUARY, 1958

1957 £		£	£
	SHARE CAPITAL		
	Authorised and Issued		
500,000	2,500,000 Non-Cumulative Preference Shares of 4s. each, fully paid	500,000	
250,000	1,250,000 Preferred Ordinary Shares of 4s. each, fully paid ..	250,000	
125,000	2,500,000 Ordinary Shares of 1s. each, fully paid	125,000	
125,000	2,500,000 Deferred Ordinary Shares of 1s. each, fully paid ..	125,000	
1,000,000			1,000,000
1,000,000	CAPITAL RESERVE		1,000,000
36,286	PROFIT AND LOSS APPROPRIATION ACCOUNT		82,036
2,000,000	5 PER CENT. UNSECURED LOAN STOCK (c)		2,000,000
	CURRENT LIABILITIES		
1,095	Sundry Creditors and Accrued Expenses	6,465	
17,892	Loan by Subsidiary Company ..	17,892	
200,000	*Loan (unsecured)*	—	
19,893	Taxation	10,893	
			35,250
—	DEFERRED LIABILITY (d)		100,000
£4,275,166			£4,217,286

1957 £		£	£
	SHARES IN SUBSIDIARY COMPANIES		
1,175,013	at cost (*a*)		1,331,263
	CURRENT ASSETS		
2,772,755	Loan to Subsidiary Company (*b*) ..	2,526,777	
327,398	Cash at Bankers	359,246	
			2,886,023
£4,275,166			£4,217,286

Note: These accounts should be read in conjunction with the notes *[reproduced on page 261]*.

On behalf of the Board,

S. R. HOGG
J. RUBIN } *Directors.*

CANADIAN AND ENGLISH STORES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31st JANUARY, 1958

£	1957 £		£	£
		SHARE CAPITAL		
		Authorised and Issued		
500,000		2,500,000 Non-Cumulative Preference Shares of 4s. each, fully paid	500,000	
250,000		1,250,000 Preferred Ordinary Shares of 4s. each, fully paid	250,000	
125,000		2,500,000 Ordinary Shares of 1s. each, fully paid	125,000	
125,000		2,500,000 Deferred Ordinary Shares of 1s. each, fully paid	125,000	1,000,000
	1,000,000			
		CAPITAL RESERVES (e)		
148,812		Surplus on Consolidation	155,596	
69,954		Exchange Fluctuation Account	40,450	
52,369		Capital Redemption Reserve	59,284	
1,048,786		Capital Reserve	1,062,953	1,318,283
	1,319,921			
	782,445	PROFIT AND LOSS ACCOUNT		1,593,841
	—	FUTURE INCOME TAX 1958/59		39,500
	155,000	*STOCK DEPRECIATION RESERVE*		—
				403,942
	1,692,476			
	414,048	INTEREST OF OUTSIDE SHAREHOLDERS IN A SUBSIDIARY COMPANY		393,614
		LOANS		
2,000,000		5% Unsecured Loan Stock (*f*)	2,000,000	
—		Mortgage Loans	30,833	2,030,833
	2,000,000			
	553,823	PROVISION FOR UNREALISED PROFIT ON HIRE PURCHASE AGREEMENTS		219,038
		CURRENT LIABILITIES AND PROVISIONS		
1,008,603		Bills Payable	541,568	
447,200		Trade Creditors and Accrued Expenses ..	494,807	
272,564		Loans and Interest Accrued	74,225	
5,175		Dividend Payable on Preferred Shares in Subsidiary Company held outside the Group ..	4,943	
189,281		Taxation	70,840	
—		Bank Overdraft	24,900	
—		Provision for Radio and Television Maintenance	25,000	1,236,283
	1,922,823			
	41,210	DEFERRED LIABILITIES (*g*)		123,773
	£6,624,380			£4,407,483

Cost or Valuation £	Depreciation Amortisation £	1957 £		Cost or Valuation £	Depreciation Amortisation £	£
			FIXED ASSETS			
784,980	130,534	654,446	Freehold and Long Leasehold Properties at Valuation or Cost (h)	580,347	135,594	444,753
175,000	23,925	151,075	Short Leasehold Properties at Valuation or Cost	139,453	25,514	113,939
130,558	13,971	116,587	Expenditure on Property Alterations at Cost	156,902	37,702	119,200
325,629	155,140	170,489	Fixtures and Fittings at Cost	369,806	213,689	156,117
116,404	54,121	62,283	Motor Vehicles at Cost	101,976	57,440	44,536
£1,532,571	£377,691	1,154,880		£1,348,484	£469,939	878,545
			CURRENT ASSETS			
1,231,302			Stock in Trade as valued by the Companies' Officials	799,458		
455,800	1,687,102		Merchandise out on Rental at Cost (*less* Depreciation) ..	190,199	989,657	
2,308,207			Instalments outstanding under Hire Purchase Agreements including those sold to Finance Companies *less* provision for Bad and Doubtful Debts ..	1,186,285		
141,257	2,166,950		*Less*: Amounts due to Finance Companies for Instalments collectable under agreements sold	19,122	1,167,163	
1,008,546			Amount due on Short Term Credit Sales *less* provision for Bad and Doubtful Debts	855,212		
—	1,008,546		*Less*: Provision for Collection Charges ..	42,760	812,452	
	1		*Trade Investment (Unquoted)* ..		—	
	3,731		Mortgage Receivable		1,812	
	439,116		Sundry Debtors and Prepayments (*less* Provisions)		553,000	
	—		Cash in Hand		4,854	
	164,054	5,469,500	*Cash at Bankers*		—	3,528,938
		£6,624,380				£4,407,483

Note: These accounts should be read in conjunction with the notes *[reproduced on page 261]*.

On behalf of the Board,

S. R. HOGG } *Directors.*
J. RUBIN

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st JANUARY, 1958

£	£	£		£	£	£
		890,772	LOSS ON TRADING, after charging all expenses of trading and management other than those deducted below ..			1,086,718
		—	*Deduct*: Stock Depreciation Reserve written back ..			155,000
						931,718
			Add: Depreciation and Amortisation			
8,170			Freehold and Long Leasehold Properties ..	8,843		
7,232			Short Leasehold Properties	7,714		
5,069			Expenditure on Property Alterations	34,726		
21,096			Fixtures and Fittings ..	22,612		
21,682			Motor Vehicles	16,270		
63,249				90,165		
			Additional depreciation on Assets of closed Branches			
—			Property Alterations £17,931			
—			Furniture and Fittings 30,884	48,815		
63,249				138,980		
—			*Less*: Amortisation on short leaseholds sold no longer required and profit on sale of leases	18,571		
	63,249				120,409	
			Directors' Emoluments			
2,500			Fees	1,925		
7,125			Management Remuneration	14,499		
1,132			*Premium paid in respect of Pension Scheme for a Director*	—		
	10,757				16,424	
			Audit Fees and Expenses			
400			Parent Company	400		
5,418			Subsidiaries	6,922		
	5,818				7,322	
	26,889		Bank Interest and Discounting Charges		24,821	
	1,124		Loan Interest		2,550	
		107,837				171,526
		998,609	LOSS BEFORE TAXATION			1,103,244
			Add: Taxation			
	1,121		United Kingdom Income Tax ..		59,837	
	—		*Less*: Taxation Provision no longer required		125,000	
	1,121				65,163	
	100,359		Canadian		101,022	
		101,480				35,859
		1,100,089	LOSS AFTER TAXATION			1,139,103
		20,677	DISTRIBUTIONS TO SHAREHOLDERS OUTSIDE THE GROUP			24,639
		1,120,766	NET LOSS OF CANADIAN AND ENGLISH STORES LIMITED			1,163,742
			BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR			
(Profit)	*348,525*		In accounts of Subsidiary Companies (Loss)		818,731	
(Profit)	*4,044*		In accounts of Parent Company (Profit) ..		36,286	
		352,569				782,445
		768,197				1,946,187
			Add: APPROPRIATIONS			
		14,248	Transfer to Capital Redemption Reserve by a Subsidiary in respect of Shares Redeemed and Cancelled ..			7,654
		782,445				1,953,841
			BALANCE CARRIED FORWARD IN CONSOLIDATED BALANCE SHEET			
	818,731		In accounts of Subsidiary Companies (Loss)		2,035,877	
	36,286		In Accounts of Canadian and English Stores Limited (Profit)		82,036	
		782,445				1,953,841

PARENT COMPANY:

(*a*) Shares in Subsidiary Companies £1,331,263 includes £404,400 in respect of shares which have no value.

(*b*) A substantial proportion of the Loan to Subsidiary Company £2,526,777 is unlikely to be recovered.

(*c*) The rights of the £2,000,000 are:—

As to the first £500,000 interest at 5% per annum on the reducing balance from 26th March, 1959. The principal is repayable by four instalments of £125,000 every five years commencing 26th March, 1962.

As to the remaining £1,500,000 interest at 5 per cent. per annum on the reducing balance from 26th March, 1962. The principal is repayable at £60,000 per annum, the first payment being due on 26th March, 1959.

(*d*) The Deferred Liability £100,000 is the balance of the purchase price of the shares of subsidiary companies acquired during the year and is payable over the next four years.

GROUP:

(*e*) Movement of Capital Reserves

	£
Surplus on Consolidation at 31st January, 1957	148,812
Surplus of Net Assets over purchase consideration of Subsidiaries acquired during the year	6,784
Balance at 31st January, 1958	£155,596
Exchange Fluctuation Account at 31st January, 1957	69,954
Difference on Exchange due to change in rate from $2.68 at 31st January, 1957 to $2.76 at 31st January, 1958 and other exchange fluctuations	29,504
Balance at 31st January, 1958	£40,450
Capital Redemption Reserve at 31st January, 1957	52,369
Increase in respect of further Preferred Shares redeemed and cancelled by the Canadian Subsidiary	7,654
Decrease due to change in rate of exchange	739
Balance at 31st January, 1958	£59,284
Capital Reserve at 31st January, 1957..	1,048,786
Add: Profit on disposal of Leases	24,167
	1,072,953
Less: Amount written off Plant, Machinery, Fixtures and Fittings	10,000
Balance at 31st January, 1958	£1,062,953

(*f*) See note (*c*) under "Parent Company".

(*g*) The Deferred Liability £123,773 consists of £100,000 payable over the next four years and £23,773 payable by monthly instalments spread over several years.

(*h*) Depreciation of Freehold and Long Leasehold Properties £135,594 refers to the Canadian Subsidiary Companies only, no depreciation having been provided in respect of similar properties of the English Companies.

(*i*) The Assets and Liabilities of the Canadian Subsidiary Company have been converted into Sterling at $2.76 to the £1, the rate ruling at 31st January, 1958.

(*j*) Provision has been made in the Accounts for all taxation on the profits up to 31st January, 1958, after adjusting for Double Taxation Relief. Any remittances received from the Surplus retained in the Canadian Subsidiary will be subject to United Kingdom Taxation, and Double Taxation Relief will be applicable.

(*k*) Guarantees have been given by the Parent Company in respect of bank overdrafts of Subsidiary Companies, which at 31st January, 1958, amounted to £416,189. The Parent Company has endorsed Bills of Exchange of Subsidiary Companies which at 31st January, 1958, amounted to £93,395.

Leases back to Subsidiary Companies arising from the sale of freehold properties have also been guaranteed by the Parent Company.

(*l*) There have been the following changes in the basis of accounting of the principal English Subsidiary:

(1) Hire Purchase Accounts

Provision for Unrealised Profit on Hire Purchase Accounts has been arrived at on the same basis as previously. The basis of the provision for Bad and Doubtful Debts has been altered resulting in an increased provision.

The provision for Bad and Doubtful Debts has been deducted from the total Hire Purchase Accounts in arriving at the Balance Sheet figure.

(2) Short Term Credit Accounts

The basis of the provision for Bad and Doubtful Debts has been altered resulting in an increased provision which has been deducted from the total Short Term Credit Accounts in arriving at the Balance Sheet figure.

(3) A provision has been made for Collection Charges, this being shown by way of deduction from Short Term Credit Accounts.

(4) A provision has been made for Radio and Television Maintenance of £25,000.

(*m*) Capital Commitments at 31st January, 1958, amounted to approximately £10,000.

CITY NOTES

RARELY has there been an August which has brought such activity in the City. The attention already focused on the banks through their entry into hire-purchase finance has been further magnified by Midland Bank's decision on 'personal loans' – followed by the Westminster – and the surprise move by Barclays in capitalizing reserves and forecasting a higher dividend.

On the Stock Exchange the advance in industrial equity share prices has received only a slight check from the cautious tone of the Cohen Report. Speculators in Commercial Television shares, however, received a shock from the Stock Exchange Council's decision to suspend dealings in Granada Group shares when a market almost devoid of shares had seen the price jump from 15*s* to over 40*s* in a few days.

A number of take-over operations have also attracted considerable interest and none more than the tussle between Beecham and Schweppes for control of the Thomas & Evans 'Corona' business.

Even gold shares have not been out of the picture. Completion of the formalities for the launching of a $30 million investment trust in South African shares by Dillon Read, the American investment bankers, has aroused considerable interest.

While attention has been directed to the equity markets, the gilt-edged section has fallen back. The Bank rate has, as anticipated, brought a new spell of corporation and county borrowing. Croydon successfully raised £5 million in a 5½ per cent stock at 99 last week and Kent County Council has come to the market for £12 million on similar terms.

RATES AND PRICES

Closing prices, Wednesday, August 27th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 27, 1958	4½%

Treasury Bills

June 20	£4 5*s* 9·63*d*%	July 25	£4 3*s* 2·26*d*%
June 27	£4 5*s* 10·67*d*%	Aug. 1	£4 0*s* 2·39*d*%
July 4	£4 3*s* 5·23*d*%	Aug. 8	£3 17*s* 3·63*d*%
July 11	£4 0*s* 3·79*d*%	Aug. 15	£3 14*s* 5·00*d*%
July 18	£4 4*s* 11·39*d*%	Aug. 22	£3 14*s* 6·25*d*%

Money Rates

Day to day	2¼–3⅛%	*Bank Bills*	
7 days	3 –3⅛%	2 months	3⅞–3 15/16%
Fine Trade Bills		3 months	3⅞–3 15/16%
3 months	4½–5¼%	4 months	3⅞–3 15/16%
4 months	4½–5¼%	6 months	3⅞–4%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80¼–5/16	Frankfurt	11·69½–·¾
Montreal	2·71 15/16–·72	Milan	1738¾–9¼
Amsterdam	10·56¼–¾	Oslo	20·00⅛–⅜
Brussels	139·00–·05	Paris	1172 –½
Copenhagen	19·33⅛–⅜	Zurich	12·20⅛–·⅜

Gilt-edged

Consols 2½%	51⅜	Funding 4% 60–90	88
Consols 4%	74 11/16	Savings 2½% 64–67	81¾
War Loan 3½%	67 13/16	Savings 3% 55–65	88⅜
Conversion 3½%	66⅝xd	Savings 3% 60–70	78 3/16
Conv'sion 3½% 1969	85 7/16xd	Savings 3% 65–75	72 3/16
Exc'quer 5½% 1966	101xd	Treasury 2½%	49 7/16xd
Funding 3% 66–68	82¼	Treasury 3½% 77–80	76 5/16
Funding 3% 59–69	81½	Treasury 3½% 79–81	75 3/16
Funding 3½% 99–04	73 1/16	Victory 4%	92¾xd

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Electronic Accounting

SIR, – In his letter in your issue of August 16th, Mr J. W. Mitchell speaks of 'advantages' – a comparative term having no meaning without reference, in this context to other systems of data processing which Mr Mitchell does not mention.

Surely we should not have to depend on E.D.P. in order to give management the essential '10 per cent of paper work'. Such an objective is basic to any system of standard costing and 'control by exception', and is attainable with or without any form of mechanized accounting. Mechanization simply enables us to perform accepted principles of accounting with greater speed and accuracy than can be achieved by hand methods; sometimes there are economies in staff also.

Mr Mitchell in fact emphasizes my point that we are in danger of becoming hypnotized by techniques to the extent that we miss our essential objectives. We have got ourselves into a morass of detail and enterprising people, as in other fields, have devised machines to pull us out.

In my view, the accountant's initial duty is to carry out fundamental research so as to detect the criteria of efficiency particular to his business; he should educate his management to accept reports based on those criteria only to the exclusion of any figures which may be consequential. That, to me, seems a more worthy approach than the slavish accumulation of all the facts about which management might inquire in the future and which can admittedly be digested with ease by a computer.

Yours faithfully,

R. V. OLSEN.

Aughten, Lancs.

On Accuracy in Accounts

SIR, – The article by Mr Kenneth S. Most, 'On Accuracy in Accounts' (your August 9th, 1958, issue) was most interesting. Mr Most gives a good and very concise description of two schools of thought on this matter of precision or accuracy in accounting but much of his exposition seems pointed at accuracy in accounting and financial reports rather than in actual accounting operations.

Therefore, it might be appropriate for *The Accountant* to remind its readers of another aspect of this problem of accuracy in accounting, namely, the concept of working to established tolerances of accuracy or precision in accounting.

Keeping accounts (the actual basic records, rather than items in accounting/financial reports) within acceptable and clearly defined tolerances of exactness is the practice of a number of well-established companies in Canada and the United States.

The concept is given various names but recently there has been a tendency to designate it as 'whole-dollar accounting'. In the United Kingdom, I believe, it is called, 'round-pound accounting'. This is not a new idea. It has been in use with Bethlehem Steel Company since 1927. But because of the inbred (almost pathological) caution of accountants, acceptance of it has been very limited.

A variety of factors (not the least of which has been the desire to reduce costs of office operations) have, in the past two years or so, made controllers and others in management positions in accounting more receptive to the idea of 'whole-dollar accounting'.

Whole-dollar accounting, to quote from an objective research report on it, means:

> '. . . the recording of accounting entries in whole dollars, getting rid of the decimal point and pennies wherever possible and at the earliest practicable point in the accounting sequence.
>
> 'In effect this means keeping accounting records within acceptable tolerances of exactness or precision.' (*Whole-Dollar Accounting*. Herbert F. Klingman and Florence A. May, Controllership Foundation, New York, 1957, 335 pp.)

Here are some typical 'net variances' or 'cumulative discrepancies' recorded (and therefore known to management) as a result of whole-dollar accounting; they indicate the remarkably close tolerances which can be maintained. These experiences are taken from case studies which are part of the Foundation's research report on the subject.

Time Incorporated – total net variance of approximately $500 over six years, on an average annual volume of $200 million.

Colgate-Palmolive – cumulative net variance in the 'penny adjustment' account for three years, $980. United States sales (turnover) approximately $290 million annually.

Canadian Oil Company – net variance in the adjustment account has remained within a $20–$30 range each year.

Bethlehem Steel Company – with total billings (sales or turnover) of over $2 billion showed a net variance of $2.18 for each million of billings in a recent year and this, our scrutiny of their records shows, is typical for this company.

Sincerely,

New York. HERBERT F. KLINGMAN.
Research Director,
CONTROLLERSHIP FOUNDATION, INC.

Annual General Meetings

SIR, – With reference to Mr Baden's query in your issue of August 23rd, the law requires the holding of an 'annual general meeting' in each calendar year. The question is not so much whether two annual general meetings can be held in one year, but whether a general meeting in one year can possibly satisfy the requirement of an annual general meeting in a different year.

The answer is 'No'. However, the only essential business of an annual general meeting under the Companies Act, 1948, is the appointment of an auditor. The practical solution therefore is for the company so to alter its articles (if this is necessary) as to enable it to call an annual general meeting in every calendar year, notwithstanding that there may be no accounts to present to the meeting.

Yours faithfully,

A.G.M.

Holiday Winner

SIR, – A colleague of mine (I am in industry) has just returned from holiday in Cornwall and retails the following amusing anecdote concerning his wife's fondness for a little bet on the horses.

It appears that walking down a street in their holiday town, the lady decided that she must place a bet on a certain horse running that day, and her husband, concurring, said 'We shall have to find a bookie'.

Strolling on, as he supposed, in conversation with his wife, he suddenly became aware that she was missing, and after a quick search was just in time to stop her charging through a door bearing the sign 'Chartered Accountant' with the instructions concerning her proposed wager trembling on her lips. There followed a short lecture on the difference between a chartered accountant and a turf accountant, and I, for one, think it was perhaps a pity she was not allowed to carry out her intention; the results might have been quite funny!

I do not know whether you will care to print this, but other readers may have knowledge of similar happenings.

Yours faithfully,

Wimborne, Dorset. N. I. ROBERTS, A.C.A.

Electronics in the Office

International Data Processing Conference

AN international conference on information processing will be held in Paris from June 15th–20th, 1959. The conference is being organized by U.N.E.S.C.O. with the help of a group of consultants from various countries.

The conference will consider methods of digital computing (including numerical analysis), the logical design of digital computers and a common symbolic language for digital computers; it will also discuss the automatic translation of languages and the collection, storage, and retrieval of information.

An international exhibition of data processing equipment will be held in Paris during the conference and it is expected that the main manufacturers will be represented. Visits will be organized to various factories manufacturing such equipment in the Paris area and to computation laboratories in Paris and possibly in neighbouring countries.

Symposia on special subjects will be held during the conference, the titles of which will be announced at a later date. For the collection and pre-selection of papers, national groups have been, or are being, formed in various countries. It is envisaged that a total of sixty-six papers will be discussed in the course of eleven sessions of three hours each. Persons who wish to offer a paper should send the title, with three copies of an abstract of about 250 words, to their national group before October 1st, 1958. Abstracts must be submitted in English or in French (or be accompanied by a translation in one of these languages).

In the United Kingdom, inquiries about the conference, and offers of papers, accompanied by abstracts, should be addressed to the honorary secretary of Group B – Computation and Automatic Control, British Conference on Automation and Computation, c/o The Institution of Electrical Engineers, Savoy Place, London, WC2.

Persons in other countries who wish to communicate with their national group may obtain its address from the U.N.E.S.C.O. Secretariat (c/o Information Processing Conference, Department of Natural Sciences), Paris.

International Computation Centre

THE *Bulletin* of the Provisional International Computation Centre, the first issue of which has now been published, is intended to serve as a medium for the international exchange of information between the existing computation bodies. It will publish information concerning progress achieved in programming methods and show technological developments effecting computation and information-processing methods. The *Bulletin* will not, however, publish scientific papers – unless they result from the Centre's own work – but it will supply bibliographical references.

The Centre was established by contract between U.N.E.S.C.O. and the Instituto Nazionale di Alta Matematica (Italy) in September 1957, pending the establishment of an International Computation Centre on a permanent basis. The provisional centre has been created for a period of two years and will automatically cease to exist when the inter-governmental convention establishing the permanent body comes into force.

The main function of the Centre will be to ensure mutual assistance and international collaboration between existing bodies dealing with computation and information processing. It will also help, on request, countries which do not possess their own computation equipment. The Centre will promote the training of specialized staff and will also endeavour to be a link between the users and the designers of computation equipment. Comments and suggestions concerning the Centre's programme of work are invited. The address of the Provisional International Computation Centre is Palazzo degli Uffici, Zona dell' EUR, Rome, Italy.

Western Europe's Largest Computer

THE largest electronic digital computer yet made in Western Europe for doing routine office work will shortly be in use for the first time. Called Perseus, and manufactured by Ferranti Ltd, it will cost approximately £300,000.

The first two models are to be exported – the first to Sweden in the autumn to two insurance companies, and the second next year to a South African assurance society. The first application of Perseus by these insurance companies will be for keeping thousands of policy records. These will be held on reels of magnetic tape, from which the computer can rapidly provide up-to-the-minute figures. It will issue premium notices, prepare accounts, work out tables of rates and provide figures which it would have been extremely tedious to extract from records before.

Perseus is not limited to insurance work but can do much of the routine work in a large office: control stock, forecast sales, prepare invoices, work out pay.

The unusual feature of this computer is that it works like a human clerk directly with letters and numbers, no matter what the language or currency. That is, it can work in the currency and weights and measures systems of any country. Time is not lost in converting them into a form normally necessary for a computer to understand. This saves time and personnel training and simplifies the problems of programming and data preparation.

The complete system includes punched-card readers, magnetic tape and high speed printing equipment. Delivery time is at present about eighteen months.

'Sir Walter' Cuts Costs

An electronic computer put into operation at the cycle factory of Raleigh Industries, Nottingham, last month and named 'Sir Walter Raleigh' will be used to process and control hire-purchase accounts which are financed for the company's dealers. Details of over 200,000 hire-purchase accounts will be stored in the computer's 'memory' which will greatly facilitate the follow-up of accounts in arrears.

The machine, which will require 100 girls to feed it with information, will keep such a complete check on all the hire-purchase accounts that a staff of more than 1,000 would be needed to do the same work.

Weighing about two and a half tons, the computer contains some 2,600 valves and can provide statistics on any hire-purchase account in half a second. A simple calculation involving addition of six seven-figure numbers would be completed in a 500-millionth of a second.

Automation in the Post Office

The Post Office, with the impending introduction of electronic computers to calculate a payroll of some 112,000 in the London area, has brought together at special training courses, staff representatives and officials to give them an appreciation of the use of computers. The computers will be installed at a control unit known as LEAPS (London Electronic Agency for Pay and Statistics) and are expected to begin working early next year, although it may take three years to convert wholly to the new system.

The courses, each lasting three days, have been held ir onjunction with the computer manufacturer. A full lanation is given of the preparatory work before the nputers are installed and how they are applied in rticular payroll work. One afternoon is devoted to a nducted tour of the computer factory, where members of the staff are able to see their own computer under construction. Each course ends with a brains trust, at which students are encouraged to ask questions.

Computer for Ministry of Pensions

An order is shortly to be placed for an electronic computer to be installed early in 1960 in the central office of the Ministry of Pensions and National Insurance, at Newcastle upon Tyne. It will be used to work out the wages of 3,000 weekly-paid staff at Newcastle and of 20,000 monthly-paid staff stationed throughout England. In addition it will process statistical data about the working of the national insurance and industrial injuries schemes.

At present, wages are calculated with the help of keyboard accounting machines and statistics are processed on a conventional punched-card system. About 100 of the staff engaged on the clerical and machine processes will be displaced but they will be absorbed into other vacancies caused by normal wastage.

Taking into account the cost of the computer, its installation and maintenance and the changeover to the new system, it is estimated that there will be a net saving of about £35,000 a year. It is expected that the saving will be considerably increased by transferring further work to the computer which will have capacity to spare.

Notes and Notices

PERSONAL

Mr Craig N. Grieve, C.A., practising under the style of Grieve & Co, Chartered Accountants, at 183A Field End Road, Eastcote, Pinner, Middlesex, announces that as from August 1st, 1958, he has assumed as a partner his nephew, Mr William B. Grieve, C.A. The name of the firm will remain unchanged.

partners of Messrs Clarke, Eckersley, ce & Co and Edward Myers, Clark & Co, red Accountants, announce with deep regret the of Mr John B. Prentice on Sunday, August th, 1958, after a long illness. Mr Prentice had been artner in the associated firms for many years prior to his retirement owing to ill health in June 1957. The news will be received with sorrow by all who knew him.

Messrs Buckle, Wilk & Co, Chartered Accountants, and Messrs Kershaw, Palk & Co, Chartered Accountants, of 56 Newhall Street, Birmingham, 3, and 41/42 Parliament Street, London, SW1, announce that the partnership existing between Mr R. H. Buckle, F.C.A., and Mr R. H. Cobham, A.C.A., has been dissolved by mutual consent as from June 30th, 1958. The practice will be continued under the same names by Mr R. H. Buckle.

PROFESSIONAL NOTES

Mr R. A. McWilliam, B.L.(EDIN.), C.A., a partner in the firm of Robert F. Cameron & Forrest, of Inverness, has been reappointed to the North of Scotland Milk Marketing Board for a period of three years as from September 1st.

Mr T. A. Nicol, A.C.A., formerly chief accountant of Swan, Hunter & Wigham Richardson Ltd, has been appointed secretary of the company.

LOCAL LOANS FUND: INTEREST RATE

Changes designed to keep the lending rates of the Public Works Loan Board in line with the lower rates now prevailing have been announced by the Treasury. Loans advanced to local authorities from the Local Loans Fund on and after August 23rd, 1958, until further notice, will carry the following rates of interest:

	Per cent	
Loans for not more than five years ..	5¾	(5¾)
Loans for more than five years but not more than fifteen years	6	(6¼)
Loans for more than fifteen years ..	6	(6¼)

The previous rates of interest (shown in brackets) have been in force since July 12th, 1958. The new rates apply only to future loans: the rates of interest on existing loans are unaffected.

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BRITISH ASSOCIATION ANNUAL MEETING

The 120th annual meeting of the British Association for the Advancement of Science opened in Glasgow on Wednesday and continues until September 3rd.

The meeting is being held under the Presidency of Sir Alexander Fleck, K.B.E., F.R.S., and among the Vice-Presidents are Sir Ian Bolton, Bt., K.B.E., LL.D., C.A., Lord-Lieutenant of Stirlingshire and the Dean of Guild, Glasgow; Mr W. I. French, D.S.O., O.B.E., T.D. C.A., President of Glasgow Chamber of Commerce, and Councillor J. Scott Adamson, C.A., J.P. Sir Ian Bolton and Mr J. Percival Agnew, D.L., C.A., are members of the local committee for the meeting.

In the Mathematics section, three papers on the use of electronic computers were given on August 29th. Dr A. D. Booth, D.SC., PH.D., F.INST.P., M.I.E.E., spoke on 'Prospects and probabilities in electronic data processing' and Mr K. B. Elbourne and Mr R. L. Michaelson presented papers on 'The usefulness of digital computers in business problems' and 'Five days in the life of a computer' respectively.

WORK SIMPLIFICATION IN THE OFFICE

A conference on work simplification in the office, organized by the Industrial Welfare Society, will be held from 10 a.m. to 5 p.m. at Robert Hyde House, 48 Bryanston Square, London, W1, on Tuesday, October 7th.

There will be three main topics: the meaning of work simplification; practical applications of methods study; and office work simplification in practice. The conference will end with an open discussion on methods study in the office, illustrated by a recent British Productivity Council film.

The fee for the conference is £2 12*s* 6*d* per delegate from member organizations of the Industrial Welfare Society, and £3 3*s* 0*d* per delegate from non-members. Inquiries and applications for tickets should be addressed to the Industrial Welfare Society, Robert Hyde House, 48 Bryanston Square, London, W1.

BUDGETARY CONTROL CONFERENCES

Three two-day conferences on 'Budgetary control and cost accounting' are being arranged in the autumn by the Department of Business Administration of the College of Production Technology, Ashford, Kent. Two of the conferences will be held at *The Eccleston Hotel*, London, SW1, from September 17th–18th and October 22nd–23rd, and the third course will be at *The Grand Hotel*, Sheffield, from November 5th–6th.

The speakers will be Messrs H. H. Norcross, F.C.W.A.; C. F. Howell, F.C.W.A.; C. A. Herring, B.SC.(ECON.), F.C.W.A., M.INST.T.; and J. P. Wilson, A.C.I.S., A.C.W.A. (or R. Warwick Dobson, C.A., F.C.W.A.). The fee for each course is fourteen guineas.

BIRMINGHAM CHARTERED ACCOUNTANT STUDENTS' SOCIETY

NINTH RESIDENTIAL COURSE

The ninth residential course for articled clerks to be arranged by the joint lecture committee of the Birmingham and District Society of Chartered Accountants and The Birmingham Chartered Accountant Students' Society will be held from Wednesday, September 17th, to Saturday, September 20th, at Merton College, Oxford.

The course will be divided into Final and Intermediate sections, each of which will have lectures on examination subjects by the following speakers: Mr L. H. Clark, F.C.A. (Harmood Banner, Lewis & Mounsey, London); Mr M. J. A. Hill, LL.B., Solicitor (Eyre & Co, Birmingham); Mr V. S. Hockley, B.COM., C.A., London; Mr H. Hodgson, F.C.A., F.C.W.A. (Robson, Morrow & Co, London); Mr W. Lomas, A.C.A., Nottingham, and Mr R. Piercy, F.C.A. (Newman, Biggs & Co, Birmingham).

The lectures will be followed by discussion in groups led by members of the Birmingham and District Society. In addition there will be evening lectures on more general subjects and a guest night dinner will be held on Friday, September 19th.

The course is intended primarily for those taking examinations in November 1958 and May 1959, but others will be welcome to attend, as will students from the Midlands generally. Owing to the limited accommodation, numbers are restricted to approximately 100, and places will be allotted to the first 100 applicants.

The fee for the course is £4 for students enrolled for the committee's Saturday morning lectures and for members of The Birmingham Chartered Accountant Students' Society residing more than twenty-five miles from the centre of Birmingham, and £6 for all other students. Inquiries and applications should be addressed to the hon. secretary of the committee, Mr B. W. Sutherland, A.C.A., Messrs Foster & Stephens, 40 Hagley Road, Edgbaston, Birmingham, 16.

THE MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

A President's tea party for recently-articled clerks is to be held again this year – on September 18th – so that new members of the Students' Society may become acquainted with the President, members of the committee, and fellow students. An informal occasion, it is felt that the tea party helps to ensure that each newly-articled clerk becomes associated with the general activities of the Society.

LECTURE PROGRAMME

An interesting programme of lectures has been arranged for the Society's winter session. It includes the following:

September 18th: 'Human relations in industry', by Prof.

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R. W. Revans, B.SC., PH.D., Professor of Industrial Administration, Manchester College of Science and Technology.

September 25th: 'Internal auditing', by Mr H. C. Booth, A.C.A., Divisional Chief Internal Auditor, National Coal Board; President, Manchester Chapter, Institute of Internal Auditors.

October 2nd: 'The European Common Market and the Free Trade Area', by Mr G. Clayton, M.A., Lecturer in Economics, University of Liverpool.

October 16th: 'Overdrafts: the banker's idea of security', by Mr G. Rhead, Controller, Staff Training Establishment, Williams Deacon's Bank Ltd.

October 30th: 'The valuation of assets for estate duty purposes', by Mr H. A. R. J. Wilson, F.C.A. (Wilson, Bigg & Co.)

November 6th: 'Relations with H.M. Inspectors of Taxes', by Mr N. G. Comber, H.M. Inspector of Taxes, Manchester 5th District.

November 13th: 'Procedure and practice in the High Court', by Mr J. Stewart Oakes, Barrister-at-Law.

November 20th: 'The history and functions of the Manchester Stock Exchange', by Mr H. Richmond, F.C.I.S., Secretary, Manchester Stock Exchange.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 6 p.m. on Monday next, September 1st, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be the miracle of the cure of the blind man who had faith. (Luke xviii. 35–43.)

STUDENTS' RESIDENTIAL COURSE AT BRIGHTON

South Eastern Society of Chartered Accountants

The South Eastern Society of Chartered Accountants [illegible] arranged to hold its ninth annual students' resi[illegible]ial tuition course at the Royal Pavilion, Brighton from October 6th to 10th.

The success of previous courses has firmly established this annual event as a substantial contribution to the educational facilities available to students. The course is divided into two sections, Final and Intermediate, each section having an entirely separate programme of lectures, given mainly by lecturers from the main accountancy correspondence schools.

The fee for the course is £3 15*s* 0*d*, and includes the course dinner, and light refreshments between the lectures. Arrangements for hotel accommodation in Brighton can be made, if desired, for students attending the course, and a grant is made to members of students' societies within the area of the South Eastern Society towards the cost of this accommodation and travelling expenses.

All students, whether or not within the Society's area, wishing to attend the course should apply as soon as possible for registration forms and further particulars to Mr T. T. Nash, A.C.A., 33 Lawrence Road, Hove, Sussex.

LONDON STUDENTS' BADMINTON CLUB

The Badminton Club of The Chartered Accountant Students' Society of London will hold two trial matches this season at the Bishopsgate Institute, 230 Bishopsgate, London, EC2, on Wednesdays, September 10th and 17th, which will start at 2 p.m. and finish not later than 6 p.m.

The results of these trial matches will form the basis of selection of teams to represent the Society in subsequent matches and members interested in playing are invited to write to the Hon. Secretary, Mr F. K. Chatterjea, 2 Highgate Avenue, London, N6, as soon as possible for further details.

MANAGEMENT DAY COURSES

A series of day courses is to be organized in the autumn by the Department of Management Studies of the Polytechnic, Regent Street, London.

The first course, which commences on October 1st, will be held on alternate Wednesday mornings and will deal with 'Work simplification in the office'. On October 8th, a fifteen-weeks' course, meeting every Wednesday afternoon, will study 'Management accounting' and from October 9th for five weeks, on Thursday afternoons, there will be a course on 'Presentation of accounting information'.

Two evening courses on 'Management control through accounting' and 'Organization and method' will also commence in October.

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OFFICIAL NOTICES

Society Examinations

The November 1958 Examinations of the Society of Incorporated Accountants, now in voluntary liquidation will be held on the following dates:

Intermediate – November 12th, 13th and 14th.
Final – November 11th, 12th, 13th and 14th.

The centres will be Birmingham, Belfast, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle upon Tyne.

The closing date for the receipt of applications is September 20th, and in no circumstances will an application received after that date be accepted.

Application forms can now only be obtained from Incorporated Accountants' Hall, Temple Place, Victoria Embankment, WC2.

London Executive Council

(National Health Service)

(The London Executive Council is responsible for the administration in the County of London of the general medical and general dental services, the pharmaceutical service and the supplementary ophthalmic service. The post now advertised is the senior post in the Executive Council branch of the National Health Service.)

Applications are invited from suitably qualified and experienced persons for the whole-time post of Clerk of the Council. Previous experience in Executive Council administration will be an advantage. The salary will be in accordance with the scale approved by the Minister of Health, namely, £1,809 rising by annual increments of £56(1), £84(3), £42(1) to £2,159 per annum. London weighting of £50 is also payable.

The appointment will be subject to (*a*) the approval of the Minister of Health; (*b*) the provisions of the National Health Service (Superannuation) Regulations; (*c*) the Conditions of Service in force at the appropriate time, and will be determinable by six months' notice on either side.

The successful candidate will be required to take office on April 1st, 1959, and may be required to pass a medical examination.

Canvassing in any form will lead to disqualification.

Applications, stating age, qualifications, experience and particulars of present appointment together with the names and addresses of two referees should be addressed to 'The Chairman, London Executive Council, Insurance House, Insurance Street, WC1', and posted to arrive not later than 12 noon on September 25th, 1958. Envelopes should be endorsed 'Clerkship'.

J. Green,
Chairman of the Council.

August 1958.

Northern Gas Board

Pensions Officer

Applications are invited from suitably qualified persons for the above appointment at Board Headquarters.

The commencing salary will be within the range of Group B Senior Officers' Salary Scales £1,155–£1,315 per annum.

The post is pensionable and the successful applicant may have to pass a medical examination.

Applications, stating age, experience and giving full details of training and qualifications together with the names of two referees should be submitted to the undersigned not later than September 1st, 1958.

John F. Jackson,
Secretary.

30 Grainger Street,
Newcastle upon Tyne, 1.

Bedford Group Hospital Management Committee

Senior Accountancy Assistant. Appointment will be in the new General Administrative Grade. (£644 to £1,000 p.a.) Preference will be given to candidates with an accountancy qualification and experience of punched-card accounting with a hospital or local authority.

Applications, with names of two referees, to Finance Officer, 3, Kimbolton Road, Bedford, by September 8th, 1958.

University of Durham

King's College, Newcastle upon Tyne

The Council of King's College invite applications from qualified accountants for the post of

Accounts Assistant

Candidates should have practical experience in the preparation of final accounts; mechanized accounting experience will be an advantage.

The starting salary will be at a suitable point on the scale, £600 × £50 – £1,000, in accordance with the qualifications and experience of the successful candidate: superannuation benefits and family allowance will be payable. It is intended that the person appointed will take up duty during October 1958.

Further particulars may be obtained from the Registrar, King's College, Newcastle upon Tyne, 1, to whom applications (four copies), together with names of two referees, should be addressed so as to reach him not later than September 20th, 1958.

London Electricity Board

Assistant Chief Accountant –
Organization, Methods and Mechanization

Applications are invited for the post of Assistant Chief Accountant – Organization, Methods and Mechanization in the Board's Headquarters Organization. Applicants must have had wide experience in the formulation and application of accounting systems in a large-scale undertaking and be familiar with modern mechanized accounting procedures. Knowledge of the techniques of clerical method study and modern methods of costing and budgetary control will be advantageous, as will experience in the Electricity Supply Industry and the possession of a recognized accountancy qualification.

The appointment will be made in Grade 7, Class C of the National Joint Managerial Agreement, the salary being within the range £2,360 to £2,560 per annum, inclusive of London Area Allowance.

Applications, stating age, qualifications, present position and salary and containing full details of experience, should be forwarded to the Secretary, London Electricity Board, 46 New Broad Street, London, EC2, by September 6th, 1958, quoting Vacancy No. V/2499/JJ.

ASSISTANT MUNICIPAL TREASURER required by LAGOS TOWN COUNCIL on contract for two tours of 12–24 months in first instance. Salary according to age and experience in scale (including Inducement Addition) £804 rising by annual increments [illegible] £1,680 a year. Gratuity £100–150 a year. Outfit allowance [illegible] Free passages for officer and wife. Free passage for two ch[illegible] or grant up to £150 annually for maintenance in U.K. Partly furnished accommodation provided at low rental. Liberal leave on full salary. Candidates must be Associate members of either the Institute of Municipal Treasurers and Accountants, Institute of Chartered Accountants, or Association of Certified and Corporate Accountants. Closing date for receipt of applications: August 31st. Write to the Crown Agents, 4, Millbank, London, SW1. State age, name in block letters, full qualifications and experience and quote M3A/45007/AC.

(*Continued on page* xv)

HOTELS AND RESTAURANTS

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The Summer Course

THE season of summer schools and courses is now in full session and although the 1958 weather record makes the association of sunshine and scholarship problematical, the enthusiasm of the participants, we feel sure, will be in no way damped. This week-end, nearly three hundred members of the Institute are in residence at Christ Church and Merton College, Oxford. Next week-end, rather less than half that number of members of the Scottish Institute assemble at St Andrews University while from Monday to Saturday, September 22nd to 27th, members of The Institute of Cost and Works Accountants – by avoiding the halfway soporific influence of a Sunday? – are due to 'scorn delights and live laborious days' at St Catharine's College, Cambridge.

The subjects for discussion at Oxford have attractive debating possibilities. Yesterday (Friday), MR C. ROMER-LEE, M.A., F.C.A., addressed the course on the shortcomings of the present Companies Act which has engendered enough heat, as well as light, in the first ten years of its existence to have kept members talking far into the night. Today's subject has double debating value in that it concerns the taxation problems of the smaller practice and the speaker, MR B. R. POLLOTT, M.A., F.C.A., will certainly have a number of searching questions to answer this evening.

The success of Monday's deliberations on work study and accountancy – the investigation, planning and control of industrial processes and business operations – seems already assured. One of the main justifications for the existence of the summer course is the opportunity it gives members in practice of discussing management accounting problems with acknowledged experts in that field. MR C. T. GOULD, M.I.E.E., A.M.I.P.E., F.I.I.TECH., will command a most attentive audience and there will be enough 'members in industry' present ably to support him.

The one question mark which hangs suspended over the week-end's proceedings is the outcome of the innovation of using Merton College as well as Christ Church. Whatever unity has been lost, however, by this arrangement should be more than balanced by the advantage of being able to increase the number of members taking part in the course. Oxford's business, said MAX BEERBOHM, himself a Merton man, was to put back all the nonsense knocked out of us at school. To adapt this witticism to the circumstances, the more members who can share in this salutary experience, albeit for only a fleeting long week-end, the better it should be for the Institute and for the profession.

Profits Tax Changes

ANOMALOUS EFFECTS OF SINGLE RATE

CONTRIBUTED

WHEN introducing profits tax at the flat rate of 10 per cent, the Chancellor of the Exchequer stated that there would be 'some differences of incidence as between different sections and units of industry'. That this is so is becoming increasingly clear, if only from the statements of company chairmen.

In Committee several amendments to the Finance Bill were introduced with a view to differentiating between the treatment of distributable profits and those barred from distribution by statute or made subject, directly or indirectly, to restrictions on distribution, but all were negatived. The Paymaster-General (Mr Maudling) said that the Government had decided to adopt the recommendation contained in paragraph 562 of the Report of the Royal Commission on the Taxation of Profits and Income, viz.:

> 'The main principle that we wish to see adopted is that a tax on the profits of corporations should apply to all profits without distinction between corporations the ownership of which is vested in the state and other corporations; or between corporations formed to serve public purposes and others formed to serve private purposes. It seems to us that only by an impartial distribution of the tax whenever and wherever profits are found can there be a fair balancing of costs and prices between public and private sectors of industry and commerce.'

Inevitably the adoption of such a change of principle will confer benefits in some cases and create hardships in others.

Public Companies

It is well known that, as a general rule, companies which have been in the habit of distributing 28¼ per cent or more of their available profits will benefit from the flat rate of tax, while those which have retained more than 71¾ per cent of their profits will lose. Some of the biggest beneficiaries will thus be breweries, stores and property companies which traditionally distribute a high proportion of their earnings. In the case of property companies, in particular, the saving in profits tax will represent an increase of up to 50 per cent in equity earnings. Steel companies, on the other hand, whose dividends last year were in most cases covered more than 3·53 times by earnings, will pay more profits tax; while companies which, for various reasons paid no dividends during the operation of the two-tier system of profits tax, will pay substantially more.

Another factor influencing a company's gain or loss from the change in profits tax is the capital structure of the company. Before the change, every £100 paid in net dividend on preference shares cost the company a further £47 10*s* 0*d* in distributed profits tax which had to be borne by the ordinary shareholders. The change to the single rate of tax will thus be of benefit to those companies which have a high proportion of preference capital in relation to ordinary capital. Breweries also score under this head of benefit since, as a group, their preference capital is equivalent to more than 50 per cent of their ordinary capital, against a corresponding figure for commercial and industrial companies of less than 40 per cent.

Others to gain from the change will be companies with joint subsidiaries and subsidiaries which are outside the scope of group treatment, though circumstances will vary.

Private Companies

Since the Finance Act, 1947, private companies have tended to distribute their profits conservatively, provided that, under cover of the 'Chancellor's concession', they could do so without risk of surtax directions. In following this course they were influenced less by the need to build up finance for future development than by the futility of paying out high dividends which would attract higher rate profits tax and surtax. Also, it was considered better policy to accumulate undistributed profits within the company and distribute them in the form of capital whenever this could conveniently be done. Various enactments, however, such as Section 31 of the Finance Act, 1951, and Section 4 of the Finance (No. 2) Act, 1955, rendered this increasingly difficult.

Now, many such companies, as low dividend payers in the past, will have to meet a higher charge to profits tax, but this loss on the change to single rate tax will be greatly outweighed by the abolition of the distribution charge (Section 25 (1) of the Finance Act) which bore heavily on director-controlled companies by reason of the definition of 'distribution' in Section 36 of the Finance Act, 1947 (now repealed). The termination of the distribution charge and the consequent repeal, *inter alia*, of Section 31 of the Finance Act, 1951, will remove a major disincentive to the distribution of accumulated profits in the form of capital. Relatively, this change will benefit the owners of private companies more than shareholders in public companies.

Immigrant Companies

Profits tax is chargeable on the profits arising from all trades or businesses carried on in the United Kingdom irrespective of whether or not the person carrying on such trade or business is ordinarily resident here. By Section 39 of the Finance Act, 1947, however, where a trade was carried on within the United Kingdom by a person ordinarily resident abroad throughout the chargeable accounting period, the profits of that trade were to be charged to profits tax at the lower rate. This relief was extended in part to cases where a company which was not ordinarily resident in the United Kingdom controlled directly or indirectly not less than one-half of the voting power of a resident company. In such a case distributions made by the United Kingdom company to its foreign parent were to be left out of account in computing its net relevant distributions. And by concession similar treatment was accorded where the overseas body had control indirectly through a 100 per cent United Kingdom subsidiary. As a corollary, if the franked investment income of a resident company included income received from a non-resident company to which Section 39 applied, distributions were to be determined as if the profits included such income.

Section 39 is now repealed with quite opposite effects on some of the companies concerned. The two factors involved are previous distribution policy and extent of foreign ownership. To take an example, both F. W. Woolworth & Co Ltd and Ford Motor Co Ltd are subsidiaries of American parent companies which, in each case, own between 50 and 55 per cent of the equity of the English company. For the last accounting period (according to tables published in *The Financial Times*) Woolworth's dividend was covered 1·4 times by earnings and Ford's 5·5 times by earnings. Accordingly, whilst Woolworth will now pay more tax on dividends paid to its parent company, it will save considerably on distributions to United Kingdom shareholders, so that on balance it will be a net gainer from single rate profits tax.

Ford Motors, on the other hand, will be a substantial loser, since more than 71¾ per cent of its earnings have been retained and so have previously attracted profits tax at the lower rate. Even harder hit – by comparison with the former position – will be companies like Vauxhall Motors Ltd and Kelvinator Ltd which are wholly-owned subsidiaries of foreign companies and before the change paid profits tax on the whole of their earnings at the reduced rate.

But though the repeal of Section 39 of the Finance Act, 1947, will remove one of the incentives to the establishment of foreign industry in Britain – a point stressed at the Committee stage of the Finance Bill – it abolishes the anomaly whereby members of British companies were at a disadvantage compared with shareholders in resident subsidiaries of foreign companies.

Building Societies, Industrial and Provident Societies

As from January 1st, 1952, building societies have paid profits tax at the rate of 2 per cent but with no deduction for interest paid on money borrowed from members or depositors. Section 26 (1) (*c*) of the Finance Act withdraws the 2 per cent rate but, as a *quid pro quo*, the new 10 per cent rate is to be applied after deduction, not only of interest on money borrowed by the society, but of dividends, bonuses and similar distributions to members on their shares in the society. Section 26 (3) provides for the necessary adjustments where a building society has entered into arrangements under Section 445 of the Income Tax Act, 1952, and income tax has not been deducted from dividends or interest.

As a result of these changes if profits tax had been calculated on the new basis and had applied to 1957–58, it would have cost the building societies £1,400,000, against an actual charge of £2,300,000. During recent years societies have suffered a serious drop in the value of their gilt-edged investments, while amounts transferred to reserve have gone down from 7*s* 2*d* per cent to 4*s* 10*d* per cent. The future saving of profits tax, though less a benefit than expected, will therefore be welcome.

Industrial and provident societies were formerly assessable to profits tax on their trading profits (after deduction of loan interest) whether distributed as dividends or placed to reserve, at the lower rate only. Like building societies, in having to pay 10 per cent uniform rate from April 1st, 1958, they are now allowed to treat as deductible expenses, dividends, bonuses and similar distributions to members on their shares. The only sums which will thus be subject to profits tax will be that part of the trading profits of the societies which they retain in the business. Even so, the new basis will result in an additional charge to tax of some £1,300,000 a year, which is said to be equivalent, in the main, to a doubling of the liability.

Statutory Undertakers

Statutory undertakers, too, will derive little comfort from the new Finance Act. An instance of the effect of the new proposals on this type of undertaking was furnished to the Committee of the House in support of an amendment to the original clause 20 of the Bill designed to secure relief for the Mersey Tunnel Joint Committee by maintaining the present 3 per cent rate of tax. It was said that the Committee's statutory right to levy tolls would expire in 1974, and meanwhile there was need to build up reserves for the future maintenance of the tunnel when tolls would cease. Unless relief were given the profits tax charge would rise steeply from £10,200 to approximately £34,000 a year. The amendment, however, was not accepted on the ground that there must be other such cases and there could be no departure from principle.

Overall Benefits

Despite individual and group hardships which are implicit in the widespread application of any principle, the profits tax changes will confer an overall benefit on industry which goes far beyond the cost to the Exchequer of fixing the flat rate at 10 per cent. The greatest benefit and the one most welcome to most sections of industry stems from the fact that some £18,000 million of accumulated undistributed profits which lay under threat of a potential distribution charge have now been freed from that threat. Many desirable business measures inhibited by fear of distribution charge repercussions can now go forward untrammelled by such considerations, while the measure of simplification effected by the single rate tax and the abolition of the distribution charge are clearly reflected in two pages of repeals in Part II of the Ninth Schedule to the Act. Possibly, any hardships arising from the profits tax changes which can be shown to justify consideration may stand a better chance of relief later on after the principle enunciated in paragraph 562 of the Report of the Royal Commission on Taxation has been in operation for a year or two.

Limitation of Rates – II

Premises Occupied for Charitable and Similar Purposes

by SPENCER G. MAURICE

Masonry

THE contention of the ratepayers in *United Grand Lodge of Ancient Free and Accepted Masons of England v. Holborn Borough Council* ([1957] 3 All E.R. 281) was that their main object was the advancement of religion. The Divisional Court found that the objects of freemasonry were those recommended to masons in the exhortations known as the 'Antient Charges', which begin by saying that a mason is obliged to obey the moral law and to act according to the dictates of his conscience, and go on as follows:

> 'Let a man's religion or mode of worship be what it may, he is not excluded from the Order, provided he believe in the glorious architect of heaven and earth, and practise the sacred duties of morality. Masons unite with the virtuous of every persuasion in the firm and pleasing bond of fraternal love: they are taught to view the errors of mankind with compassion, and to strive, by the purity of their own conduct, to demonstrate the superior excellence of the faith they may profess. Thus masonry is the centre of union between good men and true, and the happy means of conciliating friendship amongst those who must otherwise have remained at a perpetual distance.'

In subsequent charges masons are required to be good citizens, to work honestly, to act as moral and wise men, to relieve another mason in want in preference to other poor, and to cultivate brotherly love, 'so that all may see the benign influence of masonry'.

The Divisional Court found it impossible to say that these objects amounted to the advancement of religion and pointed out that it seemed that no mason need practise any religion, but, provided that he believed in a supreme being and lived a moral life, be and remain a mason. Accordingly the ratepayers' claim to relief failed.

Benefit of Members' Families

The *National Deposit Friendly Society* case was followed by the Divisional Court in *Independent Order of Oddfellows Manchester Unity Friendly Society v. Manchester Corporation* ([1957] 3 All E.R. 310). The ratepayer in that case was also a friendly society, and it contended that it was an organization not established or conducted for profit, whose main objects were concerned with the advancement of social welfare. Counsel for the Society sought to distinguish its case from that of the National Deposit Friendly Society on various grounds, *inter alia* claiming that several of the Society's objects were charitable at law, whereas none of the objects of the National Deposit Friendly Society were, and pointing out that its benefits were not confined to members because the families of members might also be benefited.

Mutual Insurance Not Enough

Ashworth, J., delivering the judgment of the Divisional Court, pointed out that the problem was to ascertain the main objects of the organization, and, even if it were the fact that some of its objects were charitable, the Society was not within Section 8 (1) (*a*) if its main objects were outside it. In other words, the main objects must be the deciding factor in each case. On the facts the Court found that such differences as existed were insufficient to afford a distinction between the main objects of the respective societies. While it was true in the present case that the class of person who was eligible for benefit was wider than in the earlier case and included non-members, this was not sufficient to convert the main objects of the Society from being the carrying into effect of a business arrangement in the form of mutual insurance into the advancement of social welfare. Accordingly the ratepayer was not entitled to relief.

Dealing with the point made by counsel for the Society that the decision of Kekewich, J., in *Re Buck; Bruty v. Mackey* ([1896] 2 Ch. 727), was authority for the proposition that a friendly society might be a charity, Ashworth, J., pointed out that the Court of Appeal did not, in the *National Deposit Friendly Society* case, purport to lay down a universal rule in regard to friendly societies, but adopted the view which had been expressed in the Divisional Court that if friendly societies were to receive the relief conferred by Section 8 (1) (*a*) it was remarkable that Parliament did not so provide in plain terms. That, said his lordship, was still the view of the Divisional Court.

Theosophy

In *Berry v. St Marylebone Corporation* ([1957] 3 All E.R. 677), the Court of Appeal affirmed the decision of Wynn-Parry, J. ([1957] 1 All E.R. 681), that the Theosophical Society in England was not entitled to relief under Section 8 (1) (*a*). The main objects of the Society were:

'(I) To form a nucleus of the Universal Brotherhood of Humanity without distinction of race, creed, sex, caste or colour.
'(II) To encourage the study of comparative religion, philosophy and science.
'(III) To investigate unexplained laws of nature and the powers latent in man.'

These objects had come up for consideration by the House of Lords in *Re Macaulay's Estate, Macaulay v. O'Donnell* ([1943] Ch. 435, note), and their lordships had held that the first object was not charitable. It was, however, still open to the Society to show that its objects were 'otherwise concerned with the advancement of religion, education or social welfare'. It was accepted that the Society was not established or conducted for profit. Applying a dictum of Cohen, J. (as he then was), in *Re Price; Midland Bank Executor and Trustee Co Ltd v. Harwood* ([1943] 2 All E.R. 505, 510), the Court of Appeal held that it was not necessary for the Society to prove that its objects, when carried into effect, did, in fact, advance religion etc., for it was sufficient to show that, being directed to that end, they might have that result.

The plaintiff (who was the general secretary of the Society) gave evidence of the nature of theosophy and the belief of theosophists, and her counsel submitted that it was legitimate to look not only to the language in which the Society's main object was framed, but also to what the Society had actually done; if the whole of its proved activities were confined to those specified in Section 8 (1) (*a*), its objects also ought to be regarded as so confined. He relied on the judgment of Devlin, J., in *Chartered Insurance Institute v. Corporation of London.*

Evidence of Activities Inadmissible

The Court of Appeal took the view that Devlin, J., was saying no more than that, when an organization had several objects specified in its written constitution, as had the Chartered Insurance Institute, its activities were relevant to an inquiry as to what should for the purposes of the section be regarded as its main objects. That was a very different thing from saying that, where, as in the present case, there was no doubt what the main objects of a body were, evidence of what its activities had been might be received either in order to construe the language by which the objects were described or to limit the proper construction of the language by reference to the activities. No such evidence was admissible for either of those purposes.

Considering whether the Society's objects could be said to be concerned with the advancement of religion, the Court decided that what the Divisional Court had said of masonry in the *United Grand Lodge* case could substantially, if not equally, be said of theosophy. Furthermore, the teaching of the Fatherhood of God and the recognition of a corresponding brotherhood of humanity without distinction of creed appeared at best to be the teaching of a doctrine which was of a philosophical and metaphysical conception rather than the advancement of religion. Neither in the language of object (I) nor in any of the relevant evidence was there a satisfactory answer to the question: 'What religion does the Society advance and how does it advance it?' Hence it could not be said that the object (I) was in any way concerned with the advancement of religion nor could the Court find anything in the object in any way concerned with the advancement of education in the sense of the training of the mind of which Devlin, J., had spoken in the *Chartered Insurance Institute* case. Their lordships agreed with the observations of the learned judge in that case. The only teaching which on the evidence before the Court was involved in the first of the Society's objects was the teaching of the theosophical doctrine itself and that could not be regarded as educational in the sense to which Devlin, J., referred.

What is Meant by 'Social Welfare'

Dealing with the question of the advancement of social welfare the Court considered the *National Deposit Friendly Society* case and conveniently summarized as follows the points which emerged from the judgment of the Court in that case:

> '(i) Prima facie, the expression "social welfare" means the well-being (whether in the physical, mental or material sense) of individuals as members of society.
>
> '(ii) The provision of benefits which tend directly to improve the health or conditions of life of individuals comes prima facie within the expression "social welfare".'

As observed above, Lord MacDermott, in the House of Lords, has cast some doubt on this point.

> '(iii) The expression does not necessarily involve the presence of an eleemosynary element.
>
> '(iv) In order to qualify under this part of the section, an organization must have as its object the advancement of social welfare as an end in itself or for its own sake; and, although "concerned" is a wide word, it cannot be read as bringing in as an object something which is incidental.
>
> '(v) The persons to be benefited and the source of the benefits are pertinent considerations.
>
> '(vi) Inasmuch as the provision in question is an exemption from rates at the expense of the general body of ratepayers, it would be right, in a doubtful case, to give the words "or otherwise concerned with the advancement of . . . social welfare" a restricted meaning.'

Theosophy too Vague a Concept

In *Berry v. St Marylebone Corporation*, Romer, L.J., said that the Court had not, in the *National Deposit Friendly Society* case, presented an exhaustive or precise definition of the phrase 'or otherwise concerned with the advancement of . . . social welfare', but was indicating in a general way what, in its view, it meant and prescribing tests which might usefully be applied to the facts of any given case. Thus the reference to welfare denoting a state of 'being well, whether in the physical, mental or material sense', was not intended necessarily to exclude the idea of well-being in a spiritual or emotional sense, for example, happiness or ethical behaviour, nor did the reference to 'the provision of benefits which tends directly to improve the health or conditions of life of individuals' mean that the provision of benefits which tended indirectly to produce those results could not qualify under Section 8 (1) (*a*). But the Court found object (I) of the Theosophical Society too vague and uncertain. In the Court of first instance, Wynn-Parry, J., had said ([1957] 1 All E.R. 684) that the object

> '. . . would justify operations which could not by any stretch of the imagination be considered as within the phrase "social welfare", however wide a construction were reasonably placed on that phrase'.

With that view the Court of Appeal concurred, finding that at least some of the activities of the Society were far removed from any conception of 'social welfare' that could reasonably or legitimately be entertained. Accordingly the Society's claim to relief failed. (*To be concluded.*)

A LETTER FROM AMERICA

Industrial Experience in U.S.A. for an English Articled Clerk

SIR, – It seems an undoubted fact that very few articled clerks take advantage of the English Institute's bye-law permitting up to six months' leave of absence in industry. I hope that by setting down briefly how much general, as well as specialized, knowledge can be gained, and how much straight fun can be had, I may influence some more to at least explore the possibilities.

I am working for six months with the American Brake Shoe Company, which started out as its name implies supplying brakes to the railways; but following an aggressive policy of expansion and diversification it now controls fifty-six plants in twenty-three States supplying the rail, automobile, aircraft, oil and metal industries. It is therefore an ideal firm to be with as one may see many different types of plant-casting and book-keeping depending on the product made. The company is organized with a head office in New York controlling the various operating divisions or subsidiary companies, each specializing in one type of product.

The programme planned for me which I have now two-thirds completed, is as follows: two months in the head office helping with the distillation of the plant figures, getting a look at the over-all organization, and noting the necessity of standardization and preparing management figures such as trend charts, forecasts, budgets and comparisons; then a fortnight at each of the following; a foundry at Rochester, New York; a new manganese steel foundry in Joliette, Quebec; a divisional head office in Montreal; a railway track plant with a side line in upset forging at Buffalo, New York; a divisional office in Detroit and a non-metal brake-lining plant in Winchester, Virginia. In all, a wonderful opportunity to see America, topped off with a final month back at head office in New York on consolidation and management work dealing with decisions based on the figures presented.

Roughly, the accounting system is as follows; each plant keeps records of all costs incurred and deals with the day-to-day operating detail, while all debtors, creditors, fixed assets, cash and fixed overhead charges are dealt with in New York where the plant ledgers are kept. The plant submits monthly cost of production and cost of sales statements to its divisional office. The initial divisional consolidation amalgamates the various plant figures and deals with any inter-divisional transfers. At head office all divisional figures are consolidated on monthly-spread statistical sheets giving company and divisional figures for each group of expenses, profits, etc, and a balance sheet to date is prepared, both backed by detailed break-downs of important figures. This in turn is absorbed into the company data book – a highly concentrated review of the year's operations to date compared with the previous year's and other pertinent figures.

There are four basic requirements needed by any articled clerk who wants to work in the United States. The three easier ones are: permission from his principal; leave of absence from the Institute; and a United States visa. The two former go together, as the Institute requires a letter from the principal recommending that permission be granted. There are to my knowledge two types of visa applicable: an immigrant's, which costs £9 and allows you to stay as long as you please, with however the possibility of being drafted into the Services after six months (though if you have already served in the British forces you are probably exempt); or a student's, which is cheaper and for a set period. I think that if you are to receive a salary you require a work permit with the latter as well.

The fourth requirement is much more difficult: it is the necessity of finding an American company willing to take you into their accounting or related departments for six months. There is no organized process for putting articled clerks in touch with interested firms, and you have to make your own arrangement.

It may be of interest to mention here that my salary amounts to $350 a month – about £125. However, being a non-resident alien, the authorities withhold 30 per cent regardless of amount. Before leaving the country the difference between this and one's true tax rate can be reclaimed, but the money is not there when you may be actually needing it. The net amount of $260 a month is just about the minimum on which a trip is practicable; if you had to pay your own travelling it would be more, as living costs are about seven or eight dollars a day for the bare necessities in any big city. The best and cheapest place to stay for short spells seems to be the Y.M.C.A. which will usually have a cafeteria, barber, swimming pool, squash courts and television, etc.; rates running from $2 to $3.50 a night.

I hope that I have managed to convey some of the interest and excitement that one can get out of a tour like mine. For one thing there is a vitality in dealing with current figures that can be acted – and be seen to be acted – upon straight away that is absent from historical audit work; there is the challenge of new people and operations to be studied from the factory floor to the board room and a welcome lack of repetitive operations. Also, one is stripped of the reflected glory – with the name of a well-known firm behind him – which the auditor basks in. Here you are unknown and only get the respect you earn.

If you get or can make such an opportunity, in local patois, 'grab it'.

Yours faithfully,

New York. PETER M. BROWN.

The Auditor and the Computer

FROM A STATUTORY AUDITOR'S VIEWPOINT

by J. W. MARGETTS, F.C.A.

THE purpose of this talk is to consider to what extent new or modified audit procedures may be required in cases where accounting operations are to be carried out in a computer. My remarks will be made from the viewpoint of a professional auditor carrying out a statutory audit.

Mr J. W. Margetts

I would first of all emphasize that existing computer applications actually in operation in this country represent in the main either applications outside the financial accounting system which do not therefore directly concern the auditor, or applications of a relatively simple character such as the preparation of the payroll, where sufficient information is printed out by the computer to enable normal audit test checks to be made by reference to the original documentation.

Under the more advanced applications now in the programming stage, the advantages anticipated from the use of the computer can only be fully realized on the basis that only a very small proportion of the information processed by the computer is eventually printed out, and the auditor must therefore consider how he can carry out a satisfactory audit of such an application in the absence of the conventional records to which he is accustomed.

I think at this point it would be as well to consider just how the computer is likely to fit into the general accounting organization of any particular concern. In the very early days the view was widely held that having regard to its high cost, a computer could only be profitably introduced by a simultaneous and wholesale taking over of accounting functions and that it would be wasteful and uneconomic to introduce it on a gradual basis. It is now recognized, however, that the detailed planning and programming involved in the computer taking over a large number of applications simultaneously would, in most cases, make this an extremely difficult operation. The normal conception now is that whilst the decision to install a computer would be taken, having regard to the long-term economies and advantages anticipated from the assumption of a large number of accounting functions, the computer would in fact only take over such accounting functions a step at a time.

Thus, for each separate application there would normally be a period of detailed planning and programming and a trial period when the computer would run in double harness with the existing method. On this basis the auditor, provided that he keeps closely in touch with the proposed changes in procedure, would not be faced with any sudden radical change but would have a reasonable period within which to consider the audit implications of each relatively minor change being made.

Existing Audit Techniques

The computer, even in its simplest form, is an expensive piece of equipment: it has an enormous capacity for work and it requires a meticulous organization to enable it to be operated efficiently. The concerns most likely to employ a computer for accounting purposes, therefore, would be those with an existing large-scale business and with an existing highly organized system of accounting and internal control. These concerns would almost certainly already be operating efficient mechanized accounting systems.

For such concerns, particularly where there is also a system of internal audit, the statutory audit will broadly comprise a comprehensive examination and review of the system of internal control with test checks to verify that it is operating efficiently, test checks of transactions during the accounting period and an audit of the balance sheet at the end of the period. These broad principles will continue to apply where a computer is employed.

The Auditor in Relation to the Installation of a Computer

It has been my experience, and I have no doubt yours also, that business concerns do not generally make a point of keeping their auditors closely in touch with

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The third and concluding lecture in a series on the study and application of electronic computers arranged by the Accountant Liason Service of The National Cash Register Co Ltd. The first lecture – 'Survey for Computers' – appeared in the issue of May 3rd, and the second – 'Approach to Computer Applications' – in the issue of May 24th.

improvements proposed to be made by them in their accounting methods; the auditor has, however, in the past been able to adapt his audit programme in the light of the accounting system in operation at the time of his audit, and has not experienced undue difficulty in carrying out a satisfactory audit in spite of changed accounting methods.

Where a computer is to be employed, however, it will no longer be practicable for the auditor to wait until accounting information has been produced by the computer before he decides upon his audit programme. The applications now being developed will make it essential for the auditor to ensure that he is consulted well before the application is put into operation. Computer time is expensive and the cost of preparing the intricate programs required is also high both in time and money, and it is essential that all audit requirements should be foreseen and catered for at an early stage.

The normal process for considering whether it is advantageous to install a computer and for determining the applications to which it will be put, is along the following lines. A small team or working party of senior executives is formed, to which may be co-opted an external consultant, to consider in broad outline what operations can and should be carried out by a computer; to consider the various types of computer installation available; to estimate what savings and advantages can be derived therefrom having regard to their respective costs; and to make recommendations to the board of directors.

On a decision being taken to install a computer, the team would make a detailed examination of existing methods and recommend such modifications as may be necessary to give the best procedure for [illegible]ganizing the flow of work and documentation to the [illegible]ter, and to decide upon the details of the work [illegible] carried out by the computer. Such detailed planning is essential having regard to the cost of the computer and the necessity to keep it fully and efficiently occupied.

Two Key Points

Whilst it is desirable that the auditor should keep himself generally in touch with the progress being made, there are two key points at which, in my view, he must be brought into the discussions. The first is when the full details of the proposed accounting application have been agreed, and the detailed instructions for programming are under discussion. At this stage the auditor, after considering the proposed system of control outside the computer, can advise as to whether any additional checks are required for audit purposes.

Secondly, in the course of programming it is most likely that, for technical reasons, the programmer may recommend variations to the procedure originally agreed, and it is accordingly desirable that the auditor should again join the discussions when programming is complete so that he can review the position, satisfy himself that the internal control has not been impaired and be in a position to make any further suggestions which may occur to him.

There may be a tendency on the part of the company's executives to think that their interests, and those of the auditor, are opposed and that the auditor may insist on a substantial amount of unnecessary work being performed by the computer solely to meet audit requirements. I am sure that this is not the case since both the company's executives and the auditor will be equally concerned to ensure that the computer will operate under an adequate system of checks designed to obviate any possibility of error or fraud. On this assumption, the auditor, who can justifiably claim to be an expert so far as techniques of internal control are concerned, can make a real contribution to discussions on a computer application.

What the Auditor Needs to Know

We now come to the question as to what the auditor – as auditor – needs to know about the computer in order to carry out his duties satisfactorily.

The auditor must clearly understand the principles upon which the computer works and its capabilities and limitations; I do not regard it as essential that he should know a great deal about the technical details. In fact, the material included in this series of lectures provides as much information about the computer, as an instrument, as the auditor needs to know. Many auditors will wish to go further in understanding how a computer functions, and if they have the time and inclination to do so, this must, of course, be advantageous.

I have ventured to set down very briefly the basic information about the computer which is necessary for considering the audit of a computer installation, as follows:

(i) The computer can only perform operations in accordance with the instructions given it by means of a program. The computer as such therefore cannot commit a fraud although as explained later, it may be subject to error.

(ii) The program of instructions given to a computer can include various kinds of checks designed to detect and locate errors.

(iii) Basic information can be stored on magnetic tape or otherwise and introduced into the computer when required.

(iv) The working instructions or programs can be prepared in permanent form on punched tape or cards or otherwise and fed into the computer whenever required for specific applications.

(v) The current information to be processed can be fed into the computer by punched tape or cards or otherwise and the information required therefrom will be ascertained by the computer by the application of the program to such current information and the stored information, the resultant information being then stored or printed out.

(vi) Access to the information stored in a computer may not be so readily available as with an existing system particularly where a number of different applications are being operated or a relatively simple and inexpensive computer installation is employed. It may well be, therefore, that in the case of such applications as the keeping of sales ledger accounts it might be preferable to retain or adopt a conventional mechanized system where immediate access can be had to the records. Incidentally, it is unlikely that a sales ledger would be kept in a computer as a separate application. It is far more likely to be a by-product of a comprehensive application for handling customers' orders, controlling availability of stocks, preparing customers' invoices and preparing sales statistics.

(vii) Although the computer itself can work at an incredibly rapid rate, the printing out of information is a relatively slow and expensive operation and the choice of initial applications will often be governed by this factor.

The Auditor and Programming

The next question we have to consider is the extent to which, if at all, the auditor, or someone on his staff, should be able to read or verify the accuracy of the program used on the computer. My view is that it is not essential, at least at the present stage of development of the computer, that the auditor should be able to prepare or to read a program, but he should understand in broad outline how the program is constructed and the types of checks which can be incorporated in it.

These and other types of checks which can be devised and to which I will refer later, are such that the accuracy of the program can be proved without having to check the program in detail. Programming is still in its infancy and as it develops it is likely to become more and more intricate and specialized, and it would be unrealistic to expect an auditor carrying on a normal professional practice to master and keep himself up to date in programming methods.

Those of you who have made any study of the art of programming will know that originating a program is a long and laborious process requiring continual checking piece by piece in the computer before the programmer can be satisfied that his program is right. You will also know that a program is written largely in symbols and it would be a tedious and lengthy job to interpret these symbols and then to follow every step in the program to ensure that it is accurate. It is a job I should hate to try to do myself and one which I should feel dubious about delegating to somebody else since he would have to be most extraordinarily conscientious to withstand the temptation to skip large slices of it. In addition, programs for different computers differ in many respects and I accordingly feel not only that it is not essential for an auditor to make a direct check of programs, but also that it would be unwise for him to try to do so when other more effective and satisfactory audit checks can be devised.

Those firms of accountants who also operate a management accounting department may wish to have staff trained in programming in order to assist in advisory work on the installation of computer systems; in this event it might be convenient to utilize the services of such staff in test checking programs for audit purposes, but only, I would suggest, as an additional check.

Internal Control in Relation to the Computer

As I have already indicated, it will normally be found that where a computer is to be installed, it is likely to take over existing clerical functions on a step-by-step basis. Its first application may, in fact, be completely outside the accounting system.

Where it is to be used for accounting purposes, if my earlier recommendation was followed, the auditor would have been consulted at an early stage and the system of control as finally adopted should accordingly meet all his audit requirements. As I have mentioned, the computer cannot of itself commit a fraud but it is subject to ordinary mechanical error. So far as programmers are concerned, however, the possibilities of both fraud and error have to be provided for.

Where possible the system of internal control as it relates to the computer should provide for the following:

(*a*) There should normally be a period when the computer and the existing method are run together and detailed comparisons are made so that any program errors can be isolated and eliminated.

(*b*) During this period, the known types of machine and input errors should be deliberately created to ensure that the program checks against er[illegible] are operating.

(*c*) After the program has been proved satisf[illegible] in all respects, it should be kept under the control of the chief accountant together with the stored computer information. Programmers should not have access to such accepted programs. Where revisions to a program are required to enable additional operations to be performed, it would be preferable to prepare a copy for the programmer's use and to leave the original undisturbed.

(*d*) Programmers should have no access to the financial accounting records and should be located away from the accounting staff.

(*e*) A detailed record should be kept of the times during which the computer is operating and the work undertaken by it, of the idle time and the reasons therefor, and of the movements of programs and stored computer information.

(*f*) The chief accountant's department should by pre-listing and, if warranted, by preparing broad analyses of the original documents, maintain outside the computer total or control accounts whereby the detailed information produced by the computer can be agreed with such predetermined figures. Such total or control accounts may be broken down into convenient batches provided that the computer is programmed to deal in corresponding batches.

(*g*) Input media prepared for a computer whether in the form of punched cards, punched tape, or otherwise, should be independently verified before entering the computer.

(*h*) Programs must include adequate checks against errors, and where possible such checks should be printed out, e.g., where the check involves cross casting figures to a total.

(*i*) There should be adequate safeguards against unauthorized interference with the computer while in operation.

Audit of a Computer Application

In dealing with a computer application the auditor will first see to what extent the system of internal control in relation to the computer covers the points I have just mentioned, and whether it has been adhered to throughout the period.

He will inspect and compare on a test check basis the records of computer time occupied, with the records showing movements of programs and stored information to and from the computer. He will scrutinize records of idle time and time lost due to breakdowns and the reasons therefor. He will also inquire into the revisions made to programs since his last examination and whether they have been properly supervised. He should make extensive test checks of the control or total accounts kept outside the computer in respect of information processed by the computer.

Depending upon the type of application concerned, the auditor may, from time to time, attend and require the computer supervisor to process certain information for which he has already obtained the answers by manual means. He may require sections of the information prepared by the computer to be [illegible] out in full so that he can test check this information with the original documents. He may also arrange for his staff to process manually some convenient small batch of current information.

I have not dealt so far with the types of checks which can be incorporated into programs to identify machine errors, and I hesitate to do so because they are somewhat technical. The company's staff can be relied upon to keep machine errors down to a minimum since to some extent they will reflect on the standard of efficiency of the computer staff.

Machine errors may result:

(*a*) in stoppage of the computer;

(*b*) in printing gibberish;

(*c*) in incorrect information being produced.

Errors resulting in (*a*) and (*b*) will be obvious; (*c*) would be found if the program contains adequate checks, or if the error is one which would become obvious on a comparison with total or control accounts kept outside the computer. So far as the program is concerned, even a simple instruction to cross-cast certain figures to a total should reveal the normal error. In practice there should be many other checks which would also discover the error.

Specific Applications

Payroll

I propose to examine a payroll application first because most computer installations will almost certainly take in the payroll as one of their applications and also because this will be the first with which most auditors are likely to be faced.

If my earlier recommendation has been followed, the auditor should have had the opportunity of a full consideration of the system of checks before the payroll is taken over by the computer, and should therefore have been able to base his programme of audit test checks thereon.

There is one basic assumption that can be made in regard to all payroll applications, and that is that the computer will have to print out for the benefit of the worker, in the form of a pay slip, the full details as to how his net wage has been arrived at. Duplicates of these pay slips would be filed and even if no other type of checks were available, the auditor could make sample test checks of the duplicate pay slips with the time and job cards from which the input was prepared.

Whether or not the auditor was consulted prior to the payroll being taken over by the computer, he will normally be able to satisfy himself that adequate checks have been incorporated in the system and he can then make his own test checks in relation to these.

The types of checks I have in mind are as follows:

(1) *Initial proving tests.* It would be normal to run the computer in double harness with the existing payroll system until the client is completely satisfied as to the operation of the computer. It is interesting to note that where this has been done and the initial teething problems arising from programming errors have been ironed out, differences will still arise but will represent errors in the existing system, which otherwise would never have been discovered. The computer properly handled is 100 per cent correct, whereas any system involving human calculation and human checking is subject to error.

(2) *Program checks.* The auditor should obtain a statement of the checks included in the program. The more intricate checks are designed to avoid waste of computer time by locating machine errors immediately they occur, whereas other checks are designed only to operate at predetermined points in the program and can normally be arranged so that the check is printed out. Provided that the broader checks are adequate to ensure that the final answers are correct, the auditor need not concern himself with the more technical checks.

In the case of the payroll where different departments are remunerated on different bases, the input should be arranged in batches to conform to the various systems of pay so that the calculations of gross pay can be made not only for each individual worker but also in total, such total calculation then being compared with the sum of the calculations for individual workers and printed out.

(3) *External controls.* The preparation of external control accounts may not be so convenient in the case of the payroll as with certain other applications. It may be considered desirable, however, to utilize what totals there are, such as, for example, the total number of workers or the total hours worked, or even totals of such data as the workers' identity number (known as a 'hash' total), with a view to agreeing in total one or more aspects of the answers produced by the computer with answers produced by other means.

(4) *Cross checks.* It is most unlikely that the wages information processed by a computer would be utilized only for production of the payroll. Normally from the same information would be produced the detailed analyses of wages for costing purposes and a cross check would therefore normally be available between the wages paid and the total allocated to the cost accounts.

(5) *Reports on computer operations.* As I have suggested earlier, there should normally be kept a detailed record of the operation of the computer, of time lost through breakdowns and errors, the reasons therefor and the steps taken to remedy them. In the same way as an auditor would scrutinize internal audit reports, or reports of stocktakers engaged on perpetual inventory, the auditor should scrutinize the record of computer operations to ascertain whether these disclose any weaknesses which have not been corrected. The auditor should also ensure that the system for the safe keeping of computer records and programs is properly adhered to.

Hire-purchase Accounts

I should now like to deal with another type of application which is in the programming stage. This is in connection with hire-purchase accounting. The company concerned has a very large number of hire-purchase accounts dealt with by numerous branch offices throughout the country and has always had difficulty in recruiting adequate staff to operate its large battery of accounting machines. The whole of the hire-purchase accounts are to be maintained by a National-Elliott computer. Whilst the final shape of the system is not yet determined, it will be along the following lines.

The complete details of each hire-purchase account will be maintained on magnetic film, and will include all static information such as account number, name, address, monthly payment, etc., together with up to eighteen months of current accounting information. The whole of the accounts will be reviewed by the computer four times per month.

Once per month each account will be automatically debited with the monthly hire-purchase charge. Approximately fifteen days after making the debit posting each account will be reviewed as to whether it is in arrears; at this point the computer will, when necessary, print out an arrears notice. The arrears notices are in varying degrees of politeness and the computer selects which form should be used. These two operations are carried out simply by processing the magnetic films containing the hire-purchase accounts.

At any of the four reviews per month of the hire-purchase account film, the posting of credits may be made or queries can be settled by requesting a print out of any particular account. The input of the computer of the credit postings or of requests for printing out an account will be by means of punched cards.

Lists of all accounts in arrears will be sent monthly to the main area offices by which the individual branches are controlled.

I have purposely only outlined the simple operation of posting debits and credits and processing those accounts which fall into arrears. There are naturally many further complications covering change of address; accounts placed in solicitors' hands; new accounts, etc.

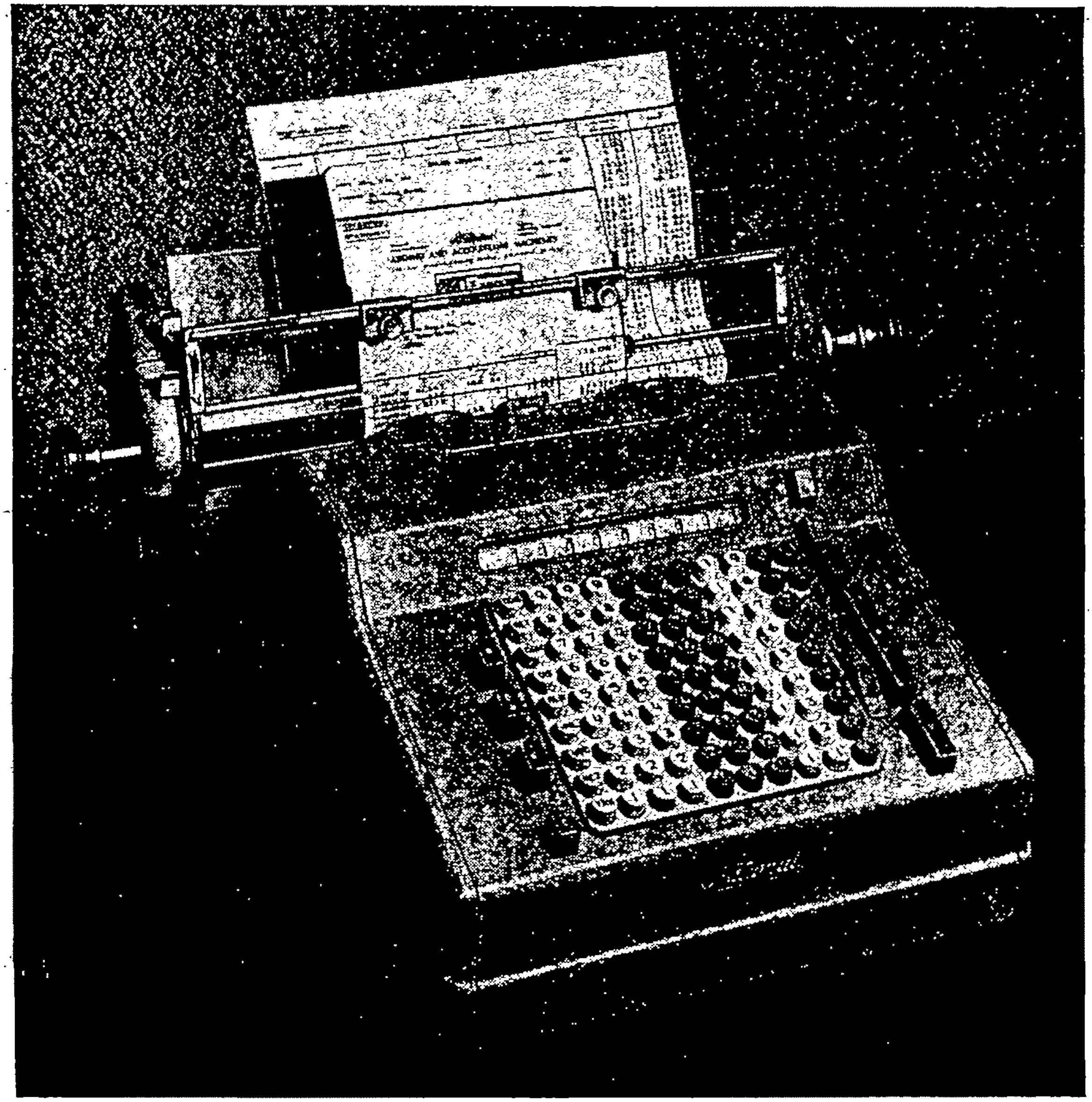
Apart from the normal program checks and the points I have already mentioned the following special points arise in so far as the audit of this type of application is concerned.

(1) Cash summary sheets, agreeing with bank pay-in slips, will accompany all cash receipt posting slips dispatched to the computer centre by branches. These posting slips are punched and verified (thereby becoming punched cards which can be used as input for the computer) and are then tabulated to agree with the summary sheet total before being entered on to a cash control account maintained manually. Before any group of cards is issued as input to the computer the cards are sorted into account number order and again tabulated to provide an independent control total which is checked against the totals posted by and printed out by the computer during each processing cycle.

As an additional safeguard to ensure that postings are made to the correct account, the comput[illegible] only automatically compares the account num[illegible] the posting slip (which has now become a pu[illegible] card) with the account number contained on [illegible] magnetic film, but also compares the first three lette[illegible] of the name. This very considerably decreases t[illegible] possibility of a misposting arising from the incorre[illegible] punching of an account number.

(2) The posting of debits is carried out entirely automatically within the computer as each hire-purchase payment becomes due and there is accordingly no form of external posting slip. The computer will print out daily the total debits which it has posted, such total being posted manually to the hire-purchase ledger control account maintained outside the computer. The auditor is thus faced with the problem of whether the computer has posted the correct amounts as debits and whether the postings have been made to the correct accounts.

To ensure that the computer does create debit postings correctly it is proposed to operate a further external manual control account which will show the total of the debits which should be posted by the



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computer on any day. This control account, which in effect has to be duplicated for each of the thirty-one days in the month, will be set up when the accounts are first transferred to the magnetic film and will be amended daily according to any changes that are entered on the film. Thus, if goods are returned as unsatisfactory and the account is withdrawn, the total account of debits for the due date affected will be reduced by the amount of that monthly payment.

The auditor will still be able to select any batch of accounts in order to test check actual postings. To do this he will have to inform the computer manager which accounts are required and these will then be printed out for him. Since the human element has been eliminated entirely in the debit posting procedure, the auditor may consider fewer test checks are necessary providing there is proof that the correct total of debits has been posted.

(3) At the year-end and at periodic intervals throughout the year it is intended to print out a simple list showing account number and the balance. The total of these balances will, of course, agree with the control account maintained on a day-to-day basis throughout the year. It is not intended to print out full details of all accounts, this being done only when a query arises.

(4) You will observe that in broad outline there is no great difference from auditing hire-purchase account records maintained on magnetic film, from those recorded on normal ledger cards. In both cases the prime need is for strict internal control of all documents flowing into the computer or accounting centre, together with careful scrutiny and control of output documents indicating accounts in arrears.

Summary

In conclusion I would like to summarize very briefly what I think are the salient points to be borne in mind when considering the audit at the present time of a business employing a computer.

(1) The computer will almost certainly be carrying out only a limited proportion of the accounting functions.

(2) To employ a computer economically a high degree of organization is necessary and it can therefore be anticipated that the system of internal control will be efficient. Such a system would normally include the maintenance of control accounts outside the computer.

(3) Normal auditing principles will apply, but special regard will be had to any accounting operations carried out by the computer.

(4) Adequate checks can be devised without the auditor having to become a skilled programmer. It would be unwise in any event for an auditor to rely on such programming knowledge as he can acquire without also employing the other checks which should be available.

(5) An auditor should endeavour to ensure that he is consulted as to his audit requirements in good time before the computer is installed and operating.

(6) Although a computer is subject to mechanical errors, program checks should be included to detect and locate such errors.

(7) The computer cannot commit a fraud and adequate safeguards can be introduced to guard against fraud by the programmers or the operators.

(8) The client is equally concerned with the auditor to ensure that the system is proof against error or fraud.

I hope from what I have said that it will be felt that no undue difficulty should be experienced by the auditor in carrying out a satisfactory audit of an accounting operation undertaken by a computer. This presupposes, however, that there is consultation between the client and the auditor well in advance of the date the computer is to go into service so as to ensure that the auditor's requirements have been properly catered for.

DISCUSSION

Influencing the Progress of the Computer

QUESTION: It is possible on some computers for the operator to put in information and influence the progress of the computer through the control console. Apart from the use of external control accounts, have you devised any means by which this problem can be overcome?

ANSWER: First of all, of course, this is a pretty intricate operation, probably beyond the skill of the ordinary supervisor, but we have thought about that problem and there is a suggestion – and in this we rather hope to carry the manufacturers with us – that anything that the operator does with the console should be automatically printed out within the computer. This record would not be available to the operator, but would be available to the chief accountant, who could see exactly what the operator has been up to, and whether it was authorized or not. But I am afraid that is merely an idea at the moment. As you probably know, the use of computers for accounting purposes is still in the early stages and all one can do is to try to anticipate these problems, work out the right answers, and then see if those answers can be put into effect.

Incorporating Checks into the Program

QUESTION: How does the auditor satisfy himself as to what checks have been incorporated into the program?

ANSWER: Well, he should have been in at the initial discussions – but at whatever point he inquires into the program, he should obtain a statement from the company's officials and the programmers as to the checks which are incorporated. He should then see that the company itself has, in the initial proving stages, deliberately created the types of errors which the program is supposed to discover. I think in the initial application the auditor himself should be allowed to do the same thing, in other words, he should be sufficiently familiar with the computer to know what types of checks are required, and with the help of the computer staff create the types of errors which the program is supposed to detect, and ascertain that it does detect them.

Qualification of Auditors' Reports

QUESTION: One of the things the auditors do is to state that proper books of account have been kept. We have been talking at great length about keeping accounts on magnetic film, do you think that it is going to lead to the qualification of reports and test cases in the Courts?

ANSWER: The answer is – I don't think so; the point being that the proper books of account are always there, but they will more and more tend to be total accounts or control accounts; the computer as such will always be merely a method of analysing total accounts. I am quite sure that the nominal ledger and/or private ledger need never be kept on a computer. The computer is only useful when there is a large volume of work to be done. I think the big advantage is that the computer will enable a really integrated accounting system to be adopted. Instead of having two sets of books that so many people do have, there would be one set of books where the costing figures do tie in and agree with the financial figures.

I can imagine, for instance, that the computer would run the plant register, but obviously the total figures would be in the financial books. So I think the answer is that you would always be able to produce financial books which would comply with the requirements of the Companies Act.

The Nine Important Points

QUESTION: You did mention nine points to which you wanted particular attention paid; would you kindly run through them again?

ANSWER: Yes. (Mr Margetts then referred to the nine points in his paper dealing with the system of internal control.) (See pages 278 and 279, sections (*a*) to (i).)

Now I would emphasize that this is striving for perfection, but I think that as the computer is a fairly untried instrument of accounting, one has to aim at perfection and then see in practice whether one can expect that or whether one has to accept something a little short.

Changes in Audit Procedure?

QUESTION: One of the advantages of the computer is that it produces much more up-to-date information. This should mean that the accounts and the shareholders' returns should be available much more rapidly after the end of the financial year. Do you visualize any change in the method of carrying out an audit? More frequent visits at random intervals?

ANSWER: Well, it would certainly enable figures to be ready earlier. One still has the question in the case of stocks, for instance, of going through them and all that. The computer, of course, should do quite a lot of the work exposing redundant stocks and so on, but there is still the final review of the valuations. I should not have thought that the auditor would need to attend earlier; I should have thought it was a question of whether the company because it gets its information earlier, then wants to get its accounts out that much earlier. If it does, then there may be no alternative but to do what is done quite a lot in America – and in the case of banks etc. who want their accounts out on January 4th. In effect, you do your verifications and valuations a month or two before the date of the balance sheet and then rely on your internal control to ensure that the figures at the end of the year are not out of line with the figures of, say, one or two months earlier. But I have not really heard any suggestions at the moment that people are going to rush their accounts because the information is going to come out any quicker. It does come out pretty quickly already in a well-mechanized system. I think the advantage of the computer is giving you an enormous amount of information that you have never had before, for management purposes rather than for accounting purposes.

The Extraction of Details

QUESTION: On a computer it is possible to be running a particular job, say a payroll, where you may build up basic pay from the amounts on the clock card, at the same time doing an analysis of labour costs. It is very nice if you can just sift out the totals of the jobs, but how about when one of those jobs may be a particular job that has got to be investigated, or perhaps a capital job? How do you get the details? Do you print every individual man's clock number and hours and value under each job?

ANSWER: Well, I haven't really thought about that particular application; I suppose it is almost outside auditing in a way. I think it depends on the importance of the cost account itself. If it is one that the Government wish to check I would think that they would print out all the information. I really think one would have to come to some arrangement with the Government department concerned; you would have to agree between you what is necessary and what is not necessary. It is one of the purposes of the original work study group to decide in effect what information has to be printed out for various reasons, and what information need not be printed out. In the hire-purchase application, for instance, the idea is that there should be information for the last eighteen months available in detail on the magnetic film. Then in effect, as time went by, you might never print that out, you would just say, 'Well that account is closed', it would just be dealt with in total.

Possibility of Losing the Storage

QUESTION: I wonder what would happen if some of the means of storage – like the magnetic tape – got accidentally destroyed. Could you ever repeat that information?

ANSWER (by Mr D. Douglas-Withers): Obviously it would be a complete catastrophe if you lost your complete storage. Now there is a practical way of avoiding this loss. In the first reports that came out you were told of the magnetic film being overwritten by up-to-date or by the new information. I think the cautious trend at the moment is to run two films in tandem: for instance, if you were taking a payroll, you would be reading off one film and putting your new answer on to the second. Now, of course, as regards the actual loss or destruction of the film, you have got to be as careful about it as you have about any other records. There is a certain amount being said about what happens if you draw or put a magnet near a film – I would ask you what would happen if you put a match to a piece of paper – you obviously don't do it!

The films, as a matter of fact, are not desperately sensitive to magnetism. We did try an experiment. We removed the case from a film and lifted the film from the case with a magnet; we then wiped the magnet round the outside of the film, and apart from the outside skin of the film itself, the remainder was in no way damaged. The fear of losing the information in the computer is not unduly great.

Specialist Auditors

Question: Do you think that the use of computers will introduce a specialist breed of auditor?

Answer: I don't think so. I think the auditor who has to tackle the computer will have to learn something about it. I imagine that most computers will probably take a year or two to get into operation from the time when the decision to purchase the computer is made. In that time the auditor has plenty of opportunity to get to know the computer – the manufacturer concerned will recommend an appreciation course. He can go and look at it and I think it is just additional knowledge that he will have to get, in the same way as he would have to know something about punched-card installations or stores record systems, or anything else. But it is not a thing that is going to be rushed on him – he won't have five minutes to think about it – he is going to have a long time to think about it. Also the relation to the specific installation that he is going to have to deal with; they all have their little peculiarities. But as I have said, I don't think for a minute that an auditor has to try to read programs, but he does have to know in a very elementary way what the program sets out to do and how it is constructed.

Tandem Running

Question: If I may, I would just like to refer to the question of tandem or parallel running, and I can well understand that with a payroll system one could run at the same time as an existing system, and agree the method of description in use within the computer – one could verify and reconcile with the existing system totals of everything, except perhaps the tax. I cannot conceive how one could have a fairly prolonged tandem running with, say, a stores application with the computer evaluating issues at, shall we say, an average rate. It will be working to much closer limits of accuracy than is possible, perhaps, with an existing punched-card system. It would therefore result in trying to reconcile totals perhaps a little – perhaps more than a little – apart. The detailed checking would be voluminous indeed in an application of any size. If you were going to run in tandem for more than just a few days there would be an enormous load of extra work in pushing through information two ways – the computer way and the old way.

I feel, myself, the solution to the problem is not so much a case of tandem running, but of pushing through the trials of synthetic data, the answers to which are known; in the creation of deliberate errors which the program should detect, and dealing with it in that way rather than tandem running at all.

Answer: Well, I think I was thinking more of financial applications where you have to take over at a point from clerical staff. One has had experience of punched-card installations where tandem running has been too rapid and too global, so to speak, and there disaster has followed. I think that when dealing with stores records and costing it would be advantageous to prove the program in the way that you suggest.

Another point about tandem running is the training of staff – the computer operators and the engineers and so on – for a matter of, perhaps, weeks, because they are unfamiliar with the equipment and liable to make mistakes which they will only avoid when they have had a bit of experience. I think probably the answer is that tandem running will only operate fully in your first applications. As soon as everybody has got used to it, programmers and everybody else, they will have far more confidence in the equipment and in themselves, and then they will be confident that they know how to put the right samples through and create the types of errors that they have now become familiar with, without going through the whole process of tandem running.

• • • •

Question: Could it be inferred from your first remarks, Mr Margetts, that as an auditor you would not be adverse to a client using a payroll application for his tandem running; one which is fairly easily reconciled, and as far as other applications are concerned which are not so easily reconciled, costing systems, and so on, you would be prepared to participate in the testing of the program in the way I have outlined?

Answer: Yes. I think as an auditor one would be far more careful in dealing with financial applications – I am thinking of sales ledgers, purchase ledgers, hire-purchase accounts and so on, rather than with a stores record or a production planning application – in fact, production planning is more of interest to an auditor rather than his direct concern. But I agree that if the auditor is fully brought into the testing stage of the programs and the applications, it is a matter for him to decide whether he can be satisfied with the way in which the application is being introduced. I don't lay it down as dogmatic that there must always be tandem running – I think I said 'normally tandem running'. I think myself that the computer is such a new equipment that most people are a little frightened of it and would like to keep it running on the side, just to see if it does do what everybody thinks it is going to do. In ten years' that frame of mind will, no doubt, be quite diff

Weekly Notes

More About Personal Loans

THE new spirit in banking, commented upon here last week, goes from strength to strength. As last week's note was written, the Westminster Bank announced a personal loans scheme parallel to the Midland's. Before it appeared in print a Barclays announcement had followed – and, so hot was the pace, Barclays had put this scheme into effect on the Friday – two days ahead of the Midland and the Westminster – thus adding at least a partial 'first' to their summer collection. In the meantime the District Bank had joined in, in time for a Monday start, and Lloyds had said they would have none of it – their normal lending policy could meet all requirements. Thus there are now four personal loan schemes in operation; Martins and Williams Deacon's are going to introduce similar schemes and the National Provincial are uncommitted.

The schemes are all on the same lines with differences only in detail and perhaps in accent. Thus to compare only the main protagonists – the two biggest of the 'Big Five' – while the Midland scheme ranges upwards from £50, Barclays has no bottom limit; and while the Midland has raised their top limit to £1,000, Barclays' remains at £500. Midland have said that in making loans for goods subject to hire-purchase restrictions they will limit the total advance to the price of the goods, less the minimum deposit required. Barclays on the other hand are not scrutinizing the object of the loans so carefully, nor regarding them as hire-purchase loans at all. The Barclays announcement says that the intention of their scheme is to extend banking services 'to a wider section of the community' as well as catering for existing customers, and it added that wherever possible, accommodation will still be granted on conventional lines at conventional rates. They point out that the 5 per cent per annum interest on the personal loan is in practice more than 9 per cent on a diminishing balance. On their premises it seems likely that even £500 is a higher amount than will often be reached.

Reaction from hire-purchase interests to all this bank activity has been sharp. Ford dealers have been told to reduce their hire-purchase rates by between ½ and 1 per cent according to the term of the contract, and Rootes, B.M.C. and Standard seem to have done likewise even before the bank announcements. Hire-purchase in retail shops has been even more drastic in response to bank stimulus. United Drapery Stores and Hamptons have both cut their hire-purchase rates to 3¾ per cent per annum; and The Times Furnishing Company and Easterns went further, cutting out interest on hire-purchase purchases altogether pending further deliberation. These movements prompted the secretary of the National Association of Retail Furnishers to remark that if credit charges were driven to uneconomic levels 'then costs will be recovered in some other way'. That is plain sense; but the economic level has still to be established and in the meantime the general public probably feel an unfamiliar kindliness to the banks for putting this particular cat among the pigeons.

Building Societies' Interest Rates

IT had been generally anticipated in the daily Press that after the initial move of the Halifax Building Society (followed by the Alliance) the interest rates to borrowers in other building societies would be lowered. These two societies are, of course, outside the Building Societies Association and the September issue of the *Building Societies Gazette* urges that decisions on reducing interest rates should be delayed until after the meeting of the Council of the Association on September 12th.

The *Gazette* states that although the building society movement has experienced during the last few months a marked improvement in the cash excess of investments over withdrawals, the full impact of the Rent Act has not yet been felt and there also remains the back-log of unaccepted mortgage business resulting from the restraint shown in the face of the crisis Bank rate of 7 per cent. The article goes on to state that any reduction in lending rates can only be effected by a lowering of the rates paid to investors, and under present circumstances, it is highly probable that a reduction of even one-quarter of 1 per cent in the latter might reverse the present favourable investment trend.

Home-buyers, we are sure, will be awaiting with very considerable interest the result of the deliberations of the Association's Council on September 12th.

Australian Decimal Currency Move

THE decision, recently announced, of the Australian Government to set up a special committee within the next few weeks to investigate the possibilities of introducing a decimal coinage system in that country is another hopeful step towards the unification of the world's currencies. Mr Menzies, the Australian Prime Minister, is himself attracted to the idea but has stated that one of the physical problems which the changeover would have to overcome is the limited capacities of the present mints at Melbourne and Perth.

Earlier this year, a report prepared by the Australian Society of Accountants, enumerated the intrinsic merits of a decimalized coinage. These included a reduction in the cost combined with an increase in the capacity and versatility of office

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machines, the saving of time and effort in making commercial calculations and in conducting international banking and trading transactions and the simplification of elementary arithmetic as taught to school children. It must be gratifying to the Society to know that its recommendation that the Federal Government should institute a full-scale public inquiry, has been adopted so speedily.

Wool Marketing Criticized

A REPORT has been published by the Stationery Office on the way in which the British Wool Marketing Board has introduced and carried out some of its policies. The report deals with complaints put out by the Country Wool Merchants' Association and the Wool Federation of Scotland about the operation of the marketing scheme. The report says that there is a possibility of a further deterioration in the relations between the Board and the private merchants' associations as the present five-year contracts draw to a close.

The report is critical of the attitude of the Board. It says that the five-year contract, although faulty in law, was virtually imposed on the merchants. In some of the matters relating to the five-year contract negotiations the report uses stern language in expressing its views about the Board's conduct. It does not recommend, however, that negotiations should be reopened on the contract remuneration rates as some of those complaining of the Board's attitude have suggested.

Hoarding Labour

ADDRESSING the Economics Section of the British Association at Glasgow last weekend, Professor A. J. Brown, Professor of Economics at Leeds University, emphasized the large contribution made to the low level of unemployment since the war by the unwillingness of employers to release workers even when the level of output justified turning off operatives. He referred to this as 'labour hoarding'.

It has certainly been noticeable in times of minor recession since the war that industrial output has fluctuated more widely than the level of employment. Skilled workers have rarely been turned off, and even unskilled people, except in industries which are suffering a long-term contraction such as cotton textiles, have moved comparatively slowly from consumer goods to capital goods industries.

Professor Brown went on to say that perhaps the main general conclusion which could be drawn from the history of the country's economy over the last ten years, was that price increases and the absence of unemployment had a remarkably small effect on the economy. He could see no sign that the expectation of continued price increases had become ingrained in the economic system although there are signs of it from time to time when a boom develops. There was also no sign that saving has been seriously affected by inflation. The proportion of the national product devoted to investment had been brought about by fuller employment and higher real income. He also thought that the economy had been as flexible under full employment as it was with the much higher level of unemployment before the last war.

These conclusions are stimulating and to some extent controversial. It is true that the economy by some standards is more flexible today than twenty years ago but that is partly because a high level of unemployment destroys flexibility even more successfully than over-full employment. The argument today is not whether the unemployment percentage should be 1·5 or 8 (it was often higher than this in the early 1930s), but how near it should be kept to between 2 and 3 per cent.

Employment Prospects

TOTAL civil employment at the end of June was approximately 165,000 below the level of a year ago. Nevertheless, it remained higher than the figure for June in any preceding year. The trend of unemployment statistics this year, however, is not particularly reassuring as regards prospects for the autumn. Unemployment is normally at its seasonal lowest in July but this year, at 412,000, it was still 16,000 more than in January and 168,000 more than in July 1957. While the figure has fallen slightly since May the usual seasonal rate of fall has been much less than in previous years. It would thus appear that the seasonal improvement in employment in industries such as agriculture and building has been largely offset by declining employment in other industries.

This is borne out by the index of industrial production and the detailed employment statistics. The former showed rather a sharp fall in June compared with a year ago. For the first quarter of 1958 the seasonally adjusted index was running at approximately the same level as in the first quarter of 1957, averaging 138 on the basis 1948=100. In May 1957, however, there was a rise to 140 followed by a further increase to 142 in June. In 1958 the figure fell to 136 in May and 134–135 in June and July. The detailed employment statistics show that in June employment fell in most manufacturing industries compared with June 1957. In steel sheets and tinplate the fall was as much as 22·9 per cent and in rayon 12·7 per cent. A few industries including electrical engineering, paper and board, cars and cycles and bread and flour confectionery showed increases in employment over this period but in no case was the increase more than 4·8 per cent.

No major change is expected in the production index over the next few months and it may therefore be difficult to avoid quite a substantial increase in unemployment when activity slackens off in the more seasonal industries.

Finance and Commerce

Hovis-McDougall

OUR principal reprint this week is taken from the accounts of Hovis-McDougall Ltd. These are the first full-year accounts following the merger of the Hovis and the McDougall flour interests. No direct comparison of profits is possible but on the basis of a combined pre-tax profit of £1,322,323 quoted in the merger proposals based on the Hovis accounts for the year to March 31st, 1956, and McDougall's to June 30th, 1957, there is an increase of £503,213.

This improvement is due partly to more favourable trading conditions, states the directors' report, and partly to production advantages which were one of the main objectives of the merger. These matters, states the report, were to be dealt with more fully in the chairman's speech at the annual meeting. Judging, however, from reports of the meeting in the financial Press, the remarks by the chairman, Mr Kenneth Moore, F.C.A., could easily have been given on the page now blank in the report and accounts.

Mellin's Food

THE report and accounts of Mellin's Food Ltd for the year to March 31st, 1958, are accompanied by a statement showing the effect of the capital re-organization approved at an extraordinary meeting on that date. On the left, the original capital structure is indicated showing in issue £73,608 in £69,858 of 6 per cent cumulative participating preference shares of 6*s* 8*d* and £3,750 of ordinary shares of 6*d* each; and on the right is the reorganized structure, showing £79,375 issued in £43,750 of 10 per cent cumulative preference of 5*s*, £30,625 of preferred ordinary of 1*s*, and £5,000 in ordinary of 6*d*. The scheme cancelled dividend arrears amounting to £23,054.

A separate schedule shows details of the fixed assets at March 31st, 1958, at a valuation adopted by the directors, made in the light of present-day replacement prices. The effect is to lift fixed assets to £73,891 and capital reserve from £24,533 to £59,407, which, it is pointed out, is sufficient to offset the debit balance of £58,967 on profit and loss account which is still being carried in the balance sheet.

HOVIS—McDOUGALL LIMITED

Balance Sheet, 31st March, 1958

31st March, 1957 £	£		Authorised £	Issued (fully paid) £
		CAPITAL		
1,000,000		5 per cent. Cumulative Preference Shares of £1 each	1,000,000	1,000,000
3,265,334		Ordinary Stock (in units of 5s. each)	3,289,988	3,289,988
—		Ordinary Shares of 5s. each	710,012	—
4,265,334			£5,000,000	4,289,988
		CAPITAL RESERVE		
2,208,325		Premium on Ordinary Shares issued in exchange for Ordinary Stock of Hovis Limited acquired in accordance with Offer dated 23rd November, 1956		2,239,143
		REVENUE RESERVES		
	77,500	Preference Shareholders' Reserve Fund (Invested in British Funds, *per contra*)	77,500	
		Profit and Loss Account:		
	52,060	Balance	49,136	
129,560				126,636
6,603,219				6,655,767
		CURRENT LIABILITIES		
	5,255	Sundry Creditors	672	
	7,187	Dividend on Preference Shares accrued to date, *less* Income Tax	7,187	
	141,881	Proposed Final Dividend on Ordinary Stock, *less* Income Tax	189,174	
154,323				197,033
£6,757,542				£6,852,800

31st March, 1957 £	£		£	£
		HOLDINGS IN SUBSIDIARY COMPANIES (at Cost)		
		HOVIS LIMITED:		
3,974,985		£1,628,467 10s. Ordinary Stock, fully paid (1957—£1,606,054 15s.)	4,030,457	
		McDOUGALLS LIMITED:		
2,498,667		320,000 Cumulative 6 per cent. Participating Preference Shares of £1 each, fully paid, and 340,000 Ordinary Shares of £1 each, fully paid	2,498,667	
6,473,652				6,529,124
		FIXED ASSETS		
	218	Office Furniture—Cost	154	
	198	*Less* Depreciation	134	
20				20
		CURRENT ASSETS		
	149,580	Dividends receivable from Subsidiary Companies (net)	194,959	
	4,356	Income Tax recoverable	5,134	
		Quoted Investments:		
	110,070	British Funds, at Cost (£97,086) (Market Value, £94,292)	110,070	
	75	*Interest accrued*	—	
	19,764	Balances at Bankers	13,493	
	25	*Cash in Hand*	—	
283,870				323,656
£6,757,542				£6,852,800

KENNETH A. E. MOORE, } *Directors.*
A. P. RIVERS,

Argument with C.I.C.

THE idea has grown so firmly that the Capital Issues Committee is an autocratic body whose decisions cannot be challenged, that there is something almost startling in the statement by Mr Stanley J. Passmore, chairman of Grayson, Rollo & Clover Docks Ltd, that 'finally, however, the Capital Issues Committee accepted our views'.

The Committee apparently acknowledged the national importance of the company's project but negatived a request for permission to borrow from a bank. The money, it said, must be raised elsewhere.

The directors were not prepared to proceed on this basis, says Mr Passmore. At the time, money, if available from other sources, would only have been obtainable at a very high rate of interest and could not have been drawn piecemeal as and when required. It is difficult to imagine an operation more inflationary and more contrary to sound business principles, he comments.

Mr Passmore draws attention to an independent valuation of the company's land and buildings, graving docks, machinery and plant in the sum of £1,832,581 against the balance sheet figure of £181,076. It is not intended at present to incorporate the higher figure in the accounts but, says Mr Passmore, it is of importance to realize that such excess value exists. Where such asset valuations are not adopted in accounts, however, the valuation figure might well be presented in a note to the balance sheet.

New Form

MR LESLIE GAMAGE marks his accession to the chairmanship of The General Electric Co Ltd with a substantial improvement in the company's annual publication. Mr Gamage, who in long service with the company has risen from the office of secretary, succeeded Sir Harry Railing, who resigned from the chairmanship at the end of last October.

In his first accounts as chairman, Mr Gamage has remade the form of the balance sheet to show capital employed and the employment of

HOVIS—McDOUGALL LIMITED AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, 31st March, 1958

31st March, 1957 £	£		Authorised £	Issued (fully paid) £
		CAPITAL OF HOVIS–McDOUGALL LIMITED		
1,000,000		5 per cent. Cumulative Preference Shares of £1 each	1,000,000	1,000,000
3,265,334		Ordinary Stock (in units of 5s. each)	3,289,988	3,289,988
—		Ordinary Shares of 5s. each	710,012	—
4,265,334			£5,000,000	4,289,988
		CAPITAL RESERVES		
		Share Premium Accounts—		
	2,208,325	Holding Company (*Note 1*)	2,239,143	
	63	Subsidiary Company..	63	
	13,402	Investments	13,402	
	27,955	Fire Claim Surplus	27,955	
2,249,745				2,280,563
		REVENUE RESERVES		
	129,560	Holding Company	126,636	
	1,567,692	Subsidiary Companies (*Note 2*)	2,118,468	
1,697,252				2,245,104
8,212,331				8,815,655
		FUTURE TAXATION		
529,316		Amounts set aside for Income Tax, Schedule "D", 1958–59 and for equalising Tax Allowances (*Note 3*)		882,405
22,412		*ORDINARY STOCK OF HOVIS LIMITED acquired subsequent to 31st March, 1957*		—
203,737		INTERESTS OF OUTSIDE SHAREHOLDERS IN SUBSIDIARY COMPANIES		192,467
25,000		LOAN TO A SUBSIDIARY COMPANY (Secured)		24,500
		CURRENT LIABILITIES		
	246,459	Bank Overdrafts of Subsidiary Companies	21,319	
	1,185,566	Sundry Creditors and accrued Charges	1,357,990	
	442,651	Taxation	458,151	
	539	Dividend on Preference Shares of a Subsidiary Company, *less* Income Tax	718	
	7,187	Dividend on Preference Shares of Hovis-McDougall Limited accrued to date, *less* Income Tax	7,187	
	141,881	Proposed Final Dividend on Ordinary Stock of Hovis–McDougall Limited, *less* Income Tax ..	189,174	
2,024,283				2,034,539
£11,017,079				£11,949,566

31st March, 1957 £	£		£	£
		FIXED ASSETS		
		Freehold and Leasehold Properties:		
	2,190,003	Cost or Book Value at 31st December, 1948, *less* Sales	2,516,913	
	331,009	*Less* Depreciation and amounts written off ..	353,643	
1,858,994				2,163,270
		Plant, Machinery, Motor Vehicles, Furniture and Equipment:		
	3,339,639	Cost or Book Value at 31st December, 1948, *less* Sales	3,607,762	
	1,774,730	*Less* Depreciation	1,988,985	
1,564,909				1,618,777
3,423,903				3,782,047
		TRADE LOANS AND INVESTMENTS		
	31,800	Loans	32,550	
	22,760	Investments, at Cost	22,821	
54,560				55,371
		CURRENT ASSETS		
	2,816,683	Stocks on hand, as certified by the Companies' Officials	2,422,837	
	1,672,112	Sundry Debtors (*less* Provision for Doubtful Debts), Deposits and Charges in advance	1,868,112	
	127,644	Quoted Investments, at Cost .. .. .. (*£112,905*) (Market Value, £109,157)	127,667	
	812	Unquoted Investments, at Cost	677	
	30,000	Tax Reserve Certificates	200,000	
	82,280	Balances at Bankers	626,565	
	7,242	Cash in Hand	4,941	
4,736,773				5,250,799
		INTANGIBLE ASSETS		
2,801,843		Goodwill and Trade Marks including premiums paid on Shares held in Subsidiary Companies, *less* Pre-acquisition Profits of Subsidiary Companies and amounts written off		2,861,349
		Notes.—(*a*) Commitments for Capital Expenditure, not provided in the Accounts, are estimated at £381,765. (*1957, £372,825.*)		
		(*b*) There is a liability in respect of employees' Past Service Benefit contributions to a Pension Fund amounting to £78,347 payable over a period of years.		
£11,017,079				£11,949,566

capital on one sheet of an 11½ by 8¼-inch booklet. Consolidated is to the left and the general balance sheet to the right of the page opening. The result is a good illustration of the modern balance sheet giving the principal facts practically at a glance, with the detail in the notes.

Capital employed opens with loans, interests of outside shareholders and the preference capital, to make a total of £27,905,593. Ordinary capital, capital reserves and revenue reserves add up to £55,283,941 and the two totals of the equity and non-equity interests produce a final total of £83,189,534.

For details of the capital one turns to the notes to find three lines of loan stock, three preference issues and the ordinary – detail which is necessary yet obscuring to the final view if presented in the final summing up of the position.

Sales Figure

The composition of the reserves is similarly given in the notes. Thus, 'revenue reserves' comprise the general reserve, reserve against future stock depreciation, reserve for increased cost of plant replacement and the undistributed profits.

This method results in the notes covering far more space than the balance sheets, but it stems from the years of experience since the first efforts some thirty years ago to produce an intelligible balance sheet by grouping and sub-totalling.

Among the other improvements this year is the heading of the consolidated profit and loss account with 'Gross income from sales' – £104,410,000 against £98,387,000.

The accounts are followed by a long pictorial description of 'The year's work' and by the ten-page statement of the chairman.

Also introduced this year is 'group statistical information' opening with sales of the home and of the overseas organizations. The information covers five years.

Next Week's Reprint

The accounts of John Brown & Co Ltd will provide the reprint in next week's issue.

HOVIS—McDOUGALL LIMITED AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account for the Year ended 31st March, 1958

			£	£
GROUP PROFIT BEFORE TAXATION				1,825,536
after charging:				
Depreciation of Fixed Assets, other than Freehold Land and certain Freehold Properties			315,748	
Past Service Benefit contribution to Pension Fund			25,505	
			£341,253	
Deduct:				
Taxation based on Profit Distributions for the year—				
Profits Tax			231,560	
Income Tax (Including Income Tax Schedule "D", 1958–59 £774,185)			794,975	
				1,026,535
GROUP PROFIT AFTER TAXATION				799,001
Deduct:				
Dividends payable to outside Preference Shareholders of Subsidiary Companies and amount attributable to other Minority Interests				6,753
				792,248
Add:				
Income relating to earlier years, *less* Taxation thereon, and other Taxation adjustments				50,680
GROUP SURPLUS ATTRIBUTABLE TO HOVIS–McDOUGALL LIMITED ..				842,928
Balance brought forward from the last Account of Hovis–McDougall Limited				52,060
AMOUNT AVAILABLE FOR DISPOSAL				894,988
APPROPRIATION—				
Amounts retained in Accounts of Subsidiary Companies			486,047	
Dividends payable by Hovis–McDougall Limited—		£		
On Preference Shares at 5 per cent per annum		28,750		
On Ordinary Stock—	£			
Interim Dividend of 7½ per cent	141,881			
Proposed Final Dividend of 10 per cent ..	189,174			
		331,055		
			359,805	
				845,852
BALANCE CARRIED FORWARD TO THE NEXT ACCOUNT OF HOVIS–McDOUGALL LIMITED				£49,136

Notes on the Accounts

	£	£
1. CAPITAL RESERVE OF HOVIS–McDOUGALL LIMITED:		
Balance at 31st March, 1957		2,208,325
Add:		
Premium on further 98,617 Ordinary Shares of 5*s.* each, fully paid (valued at 11*s.* 3*d.* per share) issued in exchange for the remaining £22,412 15*s.* Ordinary Stock of Hovis Limited acquired in accordance with offer dated 23rd November, 1956		30,818
		£2,239,143
2. REVENUE RESERVES OF SUBSIDIARY COMPANIES:		
Balance at 31st March, 1957		1,567,692
Add:		
Surplus on settlement of War Damage Claims		54,887
Surplus on realisation of Fixed Assets (£10,569) *less* Sundry adjustments (£727)		9,842
Undistributed Profits of the year		486,047
Balance at 31st March, 1958		£2,118,468
3. FUTURE TAXATION:		
Income Tax, Schedule "D", 1958–59—		
Amounts set aside out of Profits of the year		774,185
Reserve for equalising Tax Allowances—		
Balance at 31st March, 1957	106,720	
Amounts set aside out of Profits of the year	1,500	
		108,220
Total Balance at 31st March, 1958		£882,405
4. DIRECTORS' EMOLUMENTS:		
The amounts charged in the Accounts for the year are as follows—		
Directors' Fees—		
Hovis–McDougall Limited	2,520	
Subsidiary Companies	13,775	
		16,295
Other Emoluments payable by Subsidiary Companies—		
Management Remuneration		66,438
Contributions to Pension Schemes		22,512
Pensions in respect of past Executive Services		3,250
		£108,495

5. ACCOUNTS WITH MINISTRY OF AGRICULTURE, FISHERIES AND FOOD: Final agreement on certain claims relating to the period of Control has not yet been reached.

CITY NOTES

THE City and the stock-markets are gradually becoming accustomed to the change in credit conditions which have allowed such remarkable changes in banking policy. The novelty of bank-H.P. links and of personal loans is beginning to wear off and the wood is being slowly distinguished from the trees.

The market has also lived with the Far East developments long enough not to take too much immediate notice of them and, with reports of the United States economy providing some further indication that the American recession has grounded, the market is once again prepared to look forward.

It is inevitable, however, that under present conditions there should be periods in which doubts about the present should intrude on hopeful calculations of the future. The market is therefore liable to short-lived fits of depression more particularly after forward hopes have led to temporary over-speculation.

Meanwhile the subject of interest rates holds particular interest. The Finance Houses Association has yet to make any firm pronouncement on hire-purchase finance rates and the Building Societies Association has yet to make more than its normally cautious statement.

The building societies' problem of attracting funds is being made more difficult by the present heavy flow of small investment funds towards high yielding Post Office Savings. The 4¼ per cent tax free offered on National Savings Certificates and the 5 per cent gross on Defence Bonds are bringing a new lease of life to National Savings.

RATES AND PRICES

Closing prices, Wednesday, September 3rd, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

June 27	£4 5*s* 10·67*d*%	Aug. 1	£4 0*s* 2·49*d*%
July 4	£4 3*s* 5·23*d*%	Aug. 8	£3 17*s* 3·63*d*%
July 11	£4 0*s* 3·79*d*%	Aug. 15	£3 14*s* 5·00*d*%
July 18	£4 4*s* 11·39*d*%	Aug. 22	£3 14*s* 6·25*d*%
July 25	£4 3*s* 2·26*d*%	Aug. 29	£3 15*s* 2·47*d*%

Money Rates

Day to day	2¾–3⅝%	*Bank Bills*	
7 days	3 –3⅝%	2 months	3⅞–3¹⁵⁄₁₆%
Fine Trade Bills		3 months	3⅞–3¹⁵⁄₁₆%
3 months	4½–5¼%	4 months	3⅞–3¹⁵⁄₁₆%
4 months	4½–5¼%	6 months	3⅞–4%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80⅛–³⁄₁₆	Frankfurt	11·70–⅛
Montreal	2·72⅞–·73	Milan	1737¾–8¼
Amsterdam	10·56¼–⅜	Oslo	20·00⅛–⅜
Brussels	138·97½–9·02½	Paris	1173–¼
Copenhagen	19·33⅜–⅝	Zurich	12·20¼–⅜

Gilt-edged

Consols 2½%	51	Funding 4% 60–90	88
Consols 4%	74½	Savings 2½% 64–67	81¾
War Loan 3½%	67⅞	Savings 3% 55–65	88⅝
Conversion 3½%	66⅜xd	Savings 3% 60–70	78⅛
Conv'sion 3½% 1969	85⅜	Savings 3% 65–75	72⅝
Exche'qr 5½% 1966	100⅞xd	Treasury 2½%	49⅝xd
Funding 3% 66–68	82³⁄₁₆	Treasury 3½% 77–80	76¼
Funding 3% 59–69	81⁷⁄₁₆	Treasury 3½% 79–81	75¼
Funding 3½% 99–04	72¾	Victory 4%	92⅝

Current Law

Absolute Gift or Life Interest?

THE testatrix in *Re Last* ([1958], 1 All E.R. 316) sought to dispose of her estate in the following terms:

> 'I give and bequeath unto my brother . . . all property and everything I have, money and otherwise. At his death anything that is left, that came from me to go to my late husband's grandchildren. . . .'

The testatrix also appointed her brother as executor and he duly proved the will. On his death intestate and without issue or relations entitled to share in his estate the question arose whether he had received an absolute interest under the will of the testatrix or only a life interest.

Karminski, J., held that on the true construction of the will the brother's interest was a life interest only: his lordship applied *Re Sanford, Sanford v. Sanford* ([1901] 1 Ch. 939) where Joyce, J., said:

> '. . . weight may be given to the consideration that it is better to effectuate than to frustrate the testator's intention'.

In the event, therefore, the grandchildren of the testatrix's late husband succeeded in their claim and the claim of the Crown to the estate as *bona vacantia* failed.

Testamentary Gift of Business

THE testator in *Re White, McCann and Another v. Hull and Another* ([1958], 1 All E.R. 379)[1] gave his business of a house furnisher as to two-thirds to his wife (the second defendant) and as to the other one-third to H. (the first defendant) and expressed the wish that H. should carry on and manage the business as she should think fit. From this wish Wynn-Parry, J., thought himself entitled to draw the conclusion that a broad rather than a narrow construction should be given to the bequest and that the will should be so construed in relation to the available assets as to carry with the gift of the business sufficient to allow the obvious wish of the testator to be achieved, namely, that the business should be carried on.

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[1] See also article 'The meaning of a business', *The Accountant*, May 17th, 1958.

His lordship accordingly held that the gift of the business included the stock-in-trade thereof, book debts, and the freehold premises at which the business was carried on. At the same time the bequest was subject to the payment of the trade liabilities. In taking the view that the business should be regarded as an entity, Wynn-Parry, J., applied dicta of Simonds, J. (as he then was), in *Re Rhagg, Easten v. Boyd* ([1938], Ch. 828).

Safety: Extent of Employer's Duty

THE plaintiff in *Haynes v. Qualcast (Wolverhampton) Ltd* ([1958] 1 All E.R. 441) was an experienced moulder at the defendant company's foundry. While handling a ladle containing molten metal he was splashed on the foot and injured. There was a notice in the foundry that protective boots could be bought from the defendant at the price which the defendant had paid for them, and there was in the stores a stock of spats which were available free to any workman who asked for a pair, though no notice had been put up regarding the spats. The plaintiff knew of the availability of the spats and boots, but the defendant took no steps to advise, warn or induce him to wear them.

The judge of the Wolverhampton County Court found the defendant liable in damages in respect of the injuries suffered by the plaintiff, and the Court of Appeal, dismissing the defendant's appeal on the question of liability, held that the obligation of the defendant extended to more than merely having the spats available in case any experienced moulder thought he would like to ask for them. Lord Evershed, M.R., said, however, that he was not prepared to say that the case was one in the class of those, for example, where the eye was at risk and where, having regard to the nature of the hazard, there was a duty on the employer to go to very considerable lengths to try to see that his workmen took advantage of the protective equipment supplied.

A point of considerable interest is that both the Master of the Rolls and Sellers, L.J., indicated that if it was true to say, and if it had been shown, that, according to the fair balance of probabilities, nothing would have persuaded the plaintiff to take proper steps for his own protection, then the defendant would have been relieved from liability.

Bequest to a Company of its Shares

THE testator in *Re Castiglione's Will Trusts, Hunter v. Mackenzie and Others* ([1958] 1 All E.R. 480) by his will in Scots form disposed of one thousand shares in a certain company in trust for the liferent use of his son and directed his trustees after his son's death to divide these shares between the son's issue who survived him or, should he die without lawful issue, to transfer them to the company. The testator died domiciled in England, and his son died subsequently without leaving any issue. The plaintiff as sole surviving trustee of the testator's will sought the direction of the Court on the question whether the bequest of shares to the company was valid.

Danckwerts, J., referred to the principle which has been well established and is well known that a company may not traffic in its shares, which his lordship said that he took to mean that a company might not buy its own shares, but he pointed out that it did not necessarily follow that a company might not have a beneficial interest arising from its own shares in some way or another and referred to the decision of Romer, J., in *Kirby v. Wilkins* ([1929] 2 Ch. 444) that there can be a trust under which certain persons on the share register of a company may hold the company's shares on trust for it beneficially. Accordingly, the company could direct a proper nominee to hold the shares on its behalf or as it should direct, and therefore the beneficial interest would be enjoyed by the company so that the vote could be cast by the nominee at the meetings of the company as the company should direct.

His lordship accordingly made a declaration that the company was entitled to demand a transfer of shares into the names of nominees properly qualified in accordance with the articles of association of the company.

Title Deeds as Property

A RATHER curious point, but one of general interest, came before Harman, J., in *Re Knight's Question* ([1953] 1 All E.R. 812). Following a matrimonial disagreement with his wife, a husband left the matrimonial home leaving there the title deeds to certain property the legal estate in which was vested in him but the equitable interest of which was vested in a limited company. The wife refused to give up possession of these title deeds, which were retained by her solicitors as her agents. The husband started proceedings under Section 17 of the Married Women's Property Act, 1882, for an order for delivery of the deeds and the wife contended that the Court had no jurisdiction in the matter under that provision.

Harman, J., held that the Court had jurisdiction because Section 17 had reference to 'any question between husband and wife as to the title to or possession of property', title deeds were 'property' within the meaning of the section, and not merely *indicia* of title, and it did not make any difference that the husband in claiming the deeds was acting as trustee for the company (having himself no beneficial interest in the land), since it was enough for the purposes of the section that there should be a dispute as to the 'possession' of the deeds. The Court was therefore competent to adjudicate on the matter under Section 17 and his lordship accordingly ordered the wife to hand over the title deeds to the husband.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Annual General Meetings

SIR, – Your correspondent, Mr E. J. Baden (August 23rd issue) appears to be at sea because he does not appreciate that a company must have an annual general meeting once in every calendar year.

Why he thinks he can hold an annual general meeting 'for the year ended September 30th, 1957, in the early part of 1958 . . .' is a mystery.

If Mr Baden wishes to submit accounts to September 30th in any year to members at the annual general meeting for that year, he must do it before the next following December 31st.

His problem is resolved by holding each year's annual general meeting some time before June 30th and submitting thereat the accounts to the previous September 30th.

Accountants should consult a lawyer sometimes and then they would avoid getting into the sort of muddle that Mr E. J. Baden confesses to being in.

Yours faithfully,

A LAWYER.

SIR, – I was interested to read the letter from Mr E. J. Baden under the above heading, which appeared in your issue of August 23rd. There will be many companies whose year end is September or thereabouts, who would be confronted with a similar problem and who can no doubt pass on the benefit of their own experiences.

My own experience with an associated company in a group of which I am secretary may, however, be of interest. The year end is March 31st, but one of the factories suffered a big fire two weeks before the accounting date in 1957, and we deferred the preparation of the final accounts for that year until the fire insurance claim was settled. This, of course, took time, and it was 1958 before we were able to hold the annual general meeting. Although, in view of the loss of profits claim, we have not yet finalized the accounts for the year ended March 31st, 1958, we still expect to be able to hold the relative annual general meeting before the end of this year, so that two such meetings will be held in the course of one year. As your correspondent has said, we may be breaking the letter of the law, but there is no provision that I can see in the Companies Act which recognizes that exceptional circumstances may arise.

Closely connected with annual general meetings is the question of the annual return. We sent in this year the annual return for 1957, with the usual copy of the accounts. The Companies Registration office contended that it was the return for 1958, a return was also required for 1957, endorsed 'No meeting held in 1957'. We got over the complication which this procedure would cause in future years by making the above endorsement on the return we had just delivered, and sending it back to the Registrar along with the accounts. We then had the accounts returned to us with a note that as no meeting was held for 1957, accounts are not required to be filed with the return for that year. Presumably we shall only file the 1958 accounts with the 1958 return (not two years' accounts), so that the 1957 accounts will never appear on the file.

If one of the objects, if not the principal object, of an annual return is to make information about a company available to interested parties in the outside world, the above interpretation by the Companies Registration Office can only be regarded as singularly unintelligent, since there will be no accounts appearing on the file from July 1956 (for the year to March 1956) until, say, December 1958 (for the year to March 1958).

Yours faithfully,

Manchester. J. G. CRANMER.

Electronic Accounting

SIR, – Whilst I would agree with Mr R. V. Olsen (August 30th issue) that one of the most important duties of an accountant is in relation to the efficiency of the business as a whole, it remains, I feel, unfortunately true that accountants as a body have for years concentrated too much on the efficiency of the business as opposed to the efficiency of the office.

With the increasing interest in cybernetics it has become apparent that the greatest savings which are likely to take place now are in the field of office organization and methods. As accountants we should take a deep interest in cybernetic techniques involving the usage of all classes of machinery. There is an unfortunate tendency when introducing any new form of equipment to continue using it in the way the old equipment was used. Thus a large number of users are continuing to employ computers in the manner of their old office machinery, i.e. to simulate desk calculators and adding machines. This is a complete waste.

The techniques which will have to be employed are only in their infancy. However, we must all be prepared completely to reorganize our thinking. In instances where a completely new approach has been introduced to a business, along with the introduction of computers, savings over older methods of data processing have resulted in a surprisingly short time. To quote two examples, the Westinghouse Electric Corporation found that within six months of installation of a computer they were showing a considerable saving on their office work in cost terms; the Metropolitan Life Corporation, who employ three computers in their head office, have reduced their office space to 20 per cent of its original and have more than covered their costs by this saving in rent.

At the same time, of course, it remains true that only about one in five computer installations are actually being profitably employed. This is not the fault of the manufacturers, but rather of the management approach, which in most organizations is too conservative to permit of completely reorganizing their offices.

Yours faithfully,

Hove, Sussex. J. W. MITCHELL, A.C.A.

Eighteenth Century Will

SIR, – I do not know if the following poem has ever been brought to your attention or to the attention of your readers:

'The fifth day of May,
Being airy and gay,
And of vigorous mind,
And to hip not inclin'd,
My body in health,
I'll dispose of my wealth,
And to some one or other,
And I think to my brother,
Because I foresaw,
That my brethren in law,
If I did not take care,
Would come in for a share;
Which I no wise intended
Till their manners are mended,
And of that God knows there's no sign,
I do therefore enjoin,
And strictly command
That nought I have got
Shall go in hotchpot:
But I give and devise,
As much as in me lies,
To the son of my mother,
My own dearest brother,
To have and to hold,
All my silver and gold,
As the affectionate pledges,
Of his brother,
JOHN HEDGES.'

This will in fact passed a considerable personal estate in 1741.

I cannot help wondering whether it would be admitted to probate at the present time!

Yours faithfully,

Richmond, Surrey. C. R. WELLS.

A Symposium

SIR, – What a rich and mellow sound has this word 'symposium.' So much so, that in my ignorance I have instinctively associated it with a musical background. However, finding it included in your excellent journal in the announcement of a 'Business Computor Symposium' (August 23rd issue) I hurriedly referred to my dictionary from which I was abashed to learn that it has no connection whatsoever with music. To quote, it means 'a drinking together' or 'a banquet with philosophic conversation' or 'a merry feast'. If used in any of these senses the organizers are indeed to be congratulated, but I have an uncharitable feeling that it was the rich and mellow sound which influenced the choice of word.

I wonder, did the draftsman of the announcement give a thought to the use of 'seminar' as an alternative. This word also has become popular in some quarters, probably when it is desired to induce a more ascetic atmosphere.

No doubt 'conference' was rejected as an over-simplification since according to its meaning 'an appointed meeting for instruction or discussion', that is precisely what is to take place.

Yours faithfully,

DISCIPLE OF SIR ERNEST GOWERS.

Ended or Ending

SIR, – Mr N. M. Cohen (August 9th issue) is, I think, right in suggesting 'ended' is the *passive* voice, but I fail to see why he therefore objects to it.

An accounting 'year' does not just end of its own accord. It is 'put an end to' (i.e. *ended*) by someone, not infrequently *exactly 52 or 53* weeks after it was commenced.

It is therefore quite correct to talk about the year 'ended' on a particular date, in the same way as goods were 'sold' on a particular date. However, the word 'on' should precede the date.

Yours faithfully,

Liverpool. E. R. KERMODE.

Another Terminology Criticism

SIR, – The correspondence in recent issues headed 'Ended or Ending' particularly the letter from Mr F. Robinson (August 9th issue), leads me to criticize another form of wording commonly used by accountants. Even the leading firms often refer to 'the above balance sheet' or to 'the above indicates that . . .'.

However frequently the word 'above' may be misused as an adjective or as a noun, it remains an adverb or a preposition. Oddly, the autonym 'below' is rarely used in this way, presumably 'the below balance sheet' would jar so loudly that even accountants would notice.

Yours faithfully,

Chipstead, Surrey. H. I. LANGFORD.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

MEETING OF THE COUNCIL

A meeting of the Council of The Institute of Chartered Accountants in Ireland was held in Dublin on Thursday, August 28th, 1958.

Attendance

The President, Mr James Walker, was in the chair, and there were also present:

Messrs D. McC. Watson, *Vice-President*, John Bacon, G. A. P. Bryan, Frank Cleland, M. M. Connor, A. E. Dawson, J. F. Dempsey, James Graham, N. V. Hogan, G. F. Klingner, John Love, R. J. Neely, R. P. F. Holden and H. W. Robinson, with the *Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Messrs H. E. A. Addy, Mervyn Bell, Robert Bell, A. S. Boyd, G. E. Cameron and R. E. McClure.

The President welcomed Mr T. D. Lorimer, who had been appointed Joint Secretary and Treasurer at the last meeting.

Integration

Two members of The Society of Incorporated Accountants were admitted to membership of the Institute as Associates under the terms of Clause 2 of the Scheme of Integration between the Society and the Institute.

Associateship in Practice

William Patrick Foley, A.C.A., Kilkenny, was admitted to practice.

Membership

The following candidates, who were successful at the Institute's Final examination held in May 1958, were admitted to membership as Associates not in practice:

Clifford, Daniel Brendan, Dublin; Connor, William Guy Kenneth, Dublin; Costelloe, John Joseph, Ennis, Co. Clare; Crealey, Bernard Oliver, Portadown, Co. Armagh; Crowe, Philip Harold, Dublin; Donegan, Raymond Edward, Dublin; Gillespie, George Francis Rorke, Dublin; Houston, Ronald Leslie, Belfast; Howard, Thomas Lennox, Belfast; Hughes, Edward Anthony Joseph, Dublin; Jackson, Ian Glen, Ballynahinch, Co. Down; Lowth, Laurence Joseph, Dublin; McCann, William David, Dublin; McComb, David Clifford Rodney, Belfast; Macpherson, Thomas Angus, Belfast; Magill, Ian Maxwell, Whitehead, Co. Antrim; Mollard, Robert Evans, Dublin; Pickett, Ivan, Dublin; Power, Declan Cecil, Dublin; Prior, John Patrick Robert, Dublin; Rafferty, Martin, Glenamaddy, Co. Galway; Rennick, Patrick Noel, Longford; Shanagher, Anthony Dermot, Dublin; Sheehy, Padraig Carthage, Tralee, Co. Kerry; Wilson, Anthony Charles Babington, Paris; Yusof, Abdul Razak bin, Seremban, Malaya.

The following candidates, who were successful at the Final examination held in May 1958 under the syllabus of The Society of Incorporated Accountants (in voluntary liquidation), were admitted to membership as Associates not in practice:

Bolton, Arthur Alexander, Killyleagh, Co. Down; Butler, Daniel Stanislaus, Cork; Cunningham, Eric, Belfast; Davies, Thomas William, Dublin; Devlin, John, Cookstown, Co. Tyrone; Hope, William John, Belfast; Hutcheson, John Barnett, Belfast; Martin, Albert Gordon, Belfast; Mulvey, Gerard Joseph, Belfast; O'Hare, Hugh Francis, Belfast; O'Shea, Seamus, Dublin; Walsh, Walter Francis, Mullinavat, Co. Kilkenny.

At a short ceremony the President welcomed a number of the new Associates to whom he presented certificates of membership.

Brian Aodh Slowey, Dublin, who had passed the Final examination of The Society of Incorporated Accountants held in November 1957, was admitted to membership.

Alan Buttanshaw, Dublin, an Associate of The Institute of Chartered Accountants in England and Wales, was admitted to membership under the provisions of Bye-law 32A.

Examinations: November 1958

It was decided that Preliminary, Intermediate and Final examinations of the Institute should be held in Belfast and Dublin on November 18th, 19th, 20th and 21st, 1958.

Intermediate and Final examinations of The Society of Incorporated Accountants (in voluntary liquidation), which are being conducted in Ireland by the Institute, will be held in Belfast and Dublin on November 11th, 12th, 13th and 14th, 1958.

Disciplinary Committee: Findings and Decision

The Council received a report of the findings and decision of the Disciplinary Committee at a meeting held on June 26th, 1958.

The Committee found proved a formal complaint preferred by the Investigation Committee against John Cornelius Richard Ferris, of Dublin, to the effect that this member – by reason of his failure over an extended period to communicate with or to reply to letters addressed to him by a client – had been guilty of an act or default discreditable to a member within the meaning of bye-law 49 (3) of the Institute's Bye-laws.

The Committee ordered that John Cornelius Richard Ferris be excluded from membership of the Institute.

Notes and Notices

PERSONAL

Messrs James Worley & Sons, Chartered Accountants, of 16 Union Court, Old Broad Street, London, EC2, announce that Mr Stuart E. Worley, F.C.A., the resident partner at Eastbourne, has resigned from the firm as from September 1st, 1958. The remaining partners are continuing to practice at London, Ilford and Kingston upon Thames.

Messrs Holmes, Price & Co, Chartered Accountants, of 21 Gildredge Road, Eastbourne, announce that Mr Stuart E. Worley, F.C.A., who has practised for many years in Eastbourne as a partner in Messrs James Worley & Sons, has joined the firm as from September 1st, 1958. The style of the firm will be Holmes, Price & Worley.

Messrs Critchley, Ward & Pigott, Chartered Accountants, of Oxford, announce with deep regret the death on August 25th of Mr R. J. Pigott, F.C.A., after a sudden illness. He was articled to the firm in 1909, and after service in the Royal Navy in 1914–18 became a partner in 1919.

Messrs Cole, Dickin & Hills, Chartered Accountants, of 18 Essex Street, Strand, London, WC2, announce that they have taken into partnership Mr R. N. Price, F.C.A., who has been associated with the firm for many years.

Messrs A. & C. M. Davidson Smith, Chartered Accountants, 2 York Place, Edinburgh, and 59 High Street, Burntisland, Fife, announce that, on September 1st, 1958, Mr J. D. L. Black, C.A., was taken into partnership. The name of the firm will remain unchanged.

Messrs E. F. Kellett & Co, Chartered Accountants, of 6 Byron Road, Ealing Common, London, W5, announce the retirement of their senior partner, Mr Ernest Featherstone Kellett, A.C.A., A.C.W.A., A.A.C.C.A., as from August 31st, 1958; Mr Kellett founded the firm in 1924. The practice will be carried on in future by Mr John Alfred Hilton, A.C.A., who has been a partner during the past three years and who not only served his articles with the firm but has spent his accountancy career with them. Mr Hilton will continue the practice from 142 Uxbridge Road, Hanwell, London, W7. Telephone: Ealing 5165.

Mr J. S. Peters, A.C.A., announces that Mr Cyril G. Bromham retired from partnership in the firm of Cyril G. Bromham, Peters & Co, of Lombard House, 165 St Helen's Road, Swansea, on August 20th, 1958. The practice will be carried on by Mr Peters under the style of Cyril G. Bromham, Peters & Co, Chartered Accountants, at the same address.

OBITUARY

William Orwin Atkinson, M.B.E., F.I.M.T.A.

It is with great regret that we record the death, at the age of 51, of Mr W. O. Atkinson, M.B.E., F.I.M.T.A., who was President of The Institute of Municipal Treasurers and Accountants for the year 1957–58, and County Treasurer of Middlesex County Council.

Mr Atkinson had been a member of the Council of The Institute of Municipal Treasurers and Accountants since 1950 and had served as chairman of the Research Committee from 1952 to 1954, vice-chairman of the Special Committee on Standardization of Accounts and vice-chairman of the Development Committee. For several years he acted as an examiner for the Institute's examinations and recently became an assessor.

Mr Atkinson had a distinguished career in the field of local government finance, which he entered in 1929 after winning first place in the Institute's Final examination, together with the 'Collins' Gold Medal, the 'Margaret Johnson' Prize and the 'G. A. Johnston' Prize for Costing. Nine years later, when only thirty years of age, he became Borough Treasurer of Acton; this appointment followed service in the Borough Treasurer's Office at Watford and posts as Deputy Borough Treasurer of Lowestoft (1931), of Wimbledon (1932) and of Blackpool (1934). He became County Treasurer of Middlesex – one of the most responsible appointments in English local government – in 1955.

On the setting up of the Local Government Manpower Committee in 1949, Mr Atkinson was nominated to serve as a representative of the Association of Municipal Corporations on the Local Government Subcommittee and on the Grant Claims and Loan Sanctions Procedure Subcommittee.

In 1952 he served on the Working Party set up by the Minister of Housing and Local Government to consider the problem of requisitioned premises in use for housing and to make recommendations for alleviating public funds of the financial responsibility. He subsequently served as a member of the subcommittee of the Central Housing Advisory Committee dealing

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with the subject of differential rents and other problems of housing management.

Notwithstanding the many calls on his time, he acted as honorary secretary of the Association of Local Government Financial Officers and for six years was joint honorary secretary of the Joint Negotiating Committee for Chief Officers of Local Authorities. He played an influential part in the formulation and negotiation of salary scales.

Mr Atkinson was also the treasurer of his local church and a director of the London Missionary Society, and in 1947 he received the M.B.E. in recognition of his work for the National Savings Movement.

ROBERT EDWARD EDWARDS, F.C.A.

We have learned with regret of the death on August 17th of Mr Robert Edward Edwards, F.C.A., who had been a partner in the firm of Glass & Edwards, of Liverpool, for thirty-eight years and who retired from practice in 1949. Mr Edwards was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1905 and was elected to Fellowship in 1931.

As well as being a director of a number of companies he devoted a large part of his time to charitable work and took an especial interest in the welfare of children. For many years he was hon. treasurer of the Ragged School Union and was connected with the Liverpool branch of the Pearson's Fresh Air Fund and the Charles Thompson Mission.

THE INSTITUTE OF INTERNAL AUDITORS

Formation of New Chapter in Newcastle

Internal auditors residing or working in the Newcastle area will be interested in the proposition to form a Chapter of the Institute of Internal Auditors in that town. A meeting is to be held at 7.30 p.m. on Thursday, September 25th, at *The County Hotel* (opposite the Central Station), Newcastle upon Tyne, for the purpose of forming the new Chapter.

All those who are responsible in a managerial or supervisory capacity for the internal auditing activities within their organization are invited to attend.

Mr W. J. Smith, C.A., European Regional Vice-President of the Institute, and Mr J. O. Davies, F.C.A., A.C.W.A., President of the London Chapter, will be present to explain the function of the Institute and the requirements for the formation of a new Chapter.

Similar meetings (of which notice will be given) are to be held during October in Glasgow and Birmingham.

The headquarters of the Institute are in New York and at present the only Chapters in the United Kingdom are the London Chapter (founded 1948 – membership 120), and the Manchester Chapter (founded 1958 – membership 26). The total membership of the Institute in four continents now approaches 4,000.

GOLF

Liverpool Students Beat Senior Society

In a match played at Formby Golf Club on August 27th, between sides representing the Liverpool Society of Chartered Accountants and the Liverpool Chartered Accountant Students' Association, the students beat the senior society by three matches to one.

THE UNIVERSITIES AND THE ACCOUNTANCY PROFESSION

The 1958 edition of the booklet *The Universities and the Accountancy Profession*, prepared by the Joint Standing Committee of the Universities and the Accountancy Profession, has just been published.

As in earlier editions, it contains not merely general information relating to the scheme whereby it is possible to obtain within a period of 5½ years both a university degree and a professional qualification, but gives details of the courses available at the twelve universities which participate in the scheme.

Copies of the booklet are obtainable free of charge from the Secretary of The Institute of Chartered Accountants in England and Wales or of The Association of Certified and Corporate Accountants.

NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

North Yorkshire and South Durham Branch

The 1958–59 programme of the North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants opens on Friday, September 19th, when members and their ladies will make an afternoon visit to Patons & Baldwins Ltd, Darlington.

Other meetings have been arranged as follows:

October 31st. Lecture by Mr E. H. Davison, A.C.A. (Treasurer, Courtaulds Ltd), on a subject of general commercial interest to be announced.

November 19th. Annual dinner at *The King's Head Hotel*, Darlington.

December 16th. Christmas service for business and professional men, their families and friends in St George's Congregational Church, Linthorpe Road, Middlesbrough.

December 22nd. Luncheon at *The Billingham Arms Hotel*, Billingham.

February 2nd, 1959. Lecture by Mr T. A. Hamilton Baynes, M.A., F.C.A., on 'New approach to share valuations'.

March 16th, 1959. Lecture by Mr J. S. Heaton, F.C.A., on 'Surtax directions'.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The autumn session of The Chartered Accountant Students' Society of London will open next week with the residential course at Balliol College, Oxford, to be held from Thursday to Sunday, when the following addresses will be given:

'Taxation as a means of economic control', by Mr Jack Wiseman, B.SC.(ECON.) (Lecturer in Economics, University of London).

'Information for the board', by Mr E. H. Davison, A.C.A. (Treasurer, Courtaulds Ltd).

'The economics of industrial relations', by Mr Leonard Murray, B.A. (Secretary, Research and Economic Department, Trades Union Congress).

'Auditing in practice', by Mr J. A. Jackson, F.C.A. (a Vice-President of the Students' Society).

'The valuation of shares', by Mr J. F. Shearer, O.B.E., F.C.A.

PRESENT-DAY SALARIES

In the opening sentence of the article entitled 'Present-Day Salaries' in last week's issue, it was stated that there are '10,000 bank clerks in the clearing banks'. This figure should have read 100,000.

THE MANCHESTER CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

Saturday Morning Lectures

A comprehensive programme of Saturday morning lectures intended to give Intermediate and Final students an opportunity of hearing lectures on subjects covered by the examination syllabus will commence on September 20th at the Onward Hall, 207 Deansgate, Manchester. In addition, a series of preparatory lectures will be held as from Saturday, November 29th.

The same Intermediate and Final lectures will be given in Preston, beginning one week later (September 27th) at the Reform Club, Chapel Street, Preston.

INTERNATIONAL BANKING SUMMER SCHOOL

Delegates from banks in forty-six countries assembled at St Andrews on August 30th for the Eleventh International Banking Summer School and will be in session until September 13th.

The first International Banking Summer School was held ten years ago at Christ Church, Oxford. The school has now met four times in Oxford and once each in Sweden, France, Belgium, Spain, the United States and Western Germany. This year's programme will be concerned with 'The future organization of banking' and a series of lectures will be delivered by representatives from Britain, America, France, Holland and the U.S.S.R.

The programme has been arranged to leave most afternoons free so that delegates will have a chance both to play over the famous golf courses at St Andrews and to visit a number of industrial establishments in the area. A farewell dinner will be held in Edinburgh on Friday, September 12th, and delegates will be guests of the Scottish banks on the following day.

COURSE ON ELECTRONIC COMPUTING SYSTEMS

A course, in two parts, on electronic computing systems is to be held at the Sir John Cass College, Jewry Street, Aldgate, London, EC3, beginning on Wednesday, October 8th.

The course is intended for executives and others interested in the application of electronic computers in business organizations and no prior technical knowledge will be assumed. Part I of the course will consist of nine lectures on 'The construction and operation of electronic digital computing systems designed for commercial purposes', by Mr R. G. Mills, M.A.(CANTAB.), M.SC.(LOND.), and will give an appreciation of the operation and programming of computers in general. Part II, which will commence on Wednesday, January 14th, 1959, will number from eight to ten lectures on a 'Review of the commercial applications of electronic digital computing systems', by Mr A. J. Burton, A.C.A., A.C.I.S. The two courses should be useful for those who need to estimate the value of a particular type of computer in connection with a particular commercial operation.

The fee for each course for those residing in the Administrative County of London is £1. Applications for enrolment forms should be made to the Secretary, Sir John Cass College, Jewry Street, Aldgate, London, EC3, prior to the opening of the course.

OFFICE MANAGEMENT ASSOCIATION

One-day Conference in Glasgow

The eighth annual one-day conference and exhibition, organized by the Glasgow and West of Scotland Branch of the Office Management Association, will be held in St Andrews Halls, Glasgow, on Wednesday, October 29th. Mr W. A. Green, M.O.M.A., of Stewarts and Lloyds Ltd, will read a paper on 'Developments in machines and equipment' and more than thirty manufacturers and suppliers will take part in a comprehensive exhibition.

Further details of the conference may be obtained from the conference secretary, Mr S. G. Harper, W. & T. Avery Ltd, 304 St Vincent Street, Glasgow, C2.

INCOME TAX FREE APPOINTMENTS

Readers with an urge, perhaps, to see at close quarters something of that part of the world which has been so much in the news of late, or for a job a little out of the ordinary – or those, even, who may be moved by the humanitarian nature of the organization concerned – may be interested in an announcement appearing under Official Notices on another page.

U.N.R.W.A. – the United Nations Relief and Works Agency for Palestine Refugees – is seeking qualified men for service in the Middle East as field finance officers or as systems accountants. An initial base salary in the region of £2,150 ($6,000), plus a monthly mission allowance of around £60 ($178) for married men or £40 ($118) for single men, is not unattractive, especially when the pay is free of income tax!

Detailed information relating to the appointments is available from U.N.R.W.A. headquarters in Beirut.

ANNOTATED TAX CASES

Edited by ROY BORNEMAN, Q.C.

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New Look in Banking

FINANCIAL correspondents and their editors have had their busiest summer for years. When the 'credit squeeze' was relaxed it was widely realized that the banks, through which it had so largely operated, and upon which it had borne so heavily, might be expected to become again as competitive as they were before the war. But few can have foreseen how quickly evidences of the new awakening would follow one upon the other; for no one outside the banks, and only a very few within them, can have known what hard thinking the bankers had been doing before the relaxation. There had been plenty of more or less public discussion of what could be done when credit conditions made it possible; and there had been pioneer new enterprise in Scotland, in the acquisition by the Commercial Bank of Scotland of a hire-purchase subsidiary and later the same bank's offer of investment portfolio management as a new service. But bank managements, in England at least, had been quiescent for so long that even in the banks the proponents of American-style development were for the most part written off under the maxim 'It can't happen here'.

In fact it did happen here, and very quickly. The main protagonists in England and Wales have been the two biggest of the 'Big Five', Barclays – now the biggest of them all – and the Midland, who were for many years the biggest and have always had the reputation for liking new ideas: many years ago they experimented with stampless 'chequelets' for amounts under £2 (THE CHANCELLOR OF THE EXCHEQUER objected to that innovation); they were the pioneers of 'home safes' before the war; and more recently, in the depth of the 'credit squeeze', they introduced the gift cheque and became, in advertising it on television, the first British bank to use this new medium.

This summer it was Barclays who opened the ball, as the first of the clearing banks to appoint a woman branch manager; the appointment had no bearing on credit conditions, but in retrospect we may view it as a sign of a new willingness to embrace new ideas. Then came the relaxation of the 'credit squeeze' and, as it seemed, in no time at all Barclays were announcing that they were buying a quarter share in United Dominions Trust. There followed the first spate of bank announcements in which the ordinary reader of newspapers could be forgiven for thinking that the banks were all running round looking for footings in the new field, so fast did one after the other announce one or other kind of arrangement with hire-purchase interests. Then Barclays announced a scrip issue to its stockholders; this lead has not so far been followed by the other banks, but they are expected to do so in due course.

Since then the limelight has been the Midland's. They were first with the announcement of a personal loan service, although Barclays in fact had their scheme in operation first; and now this week they are inaugurating what many bankers have long recognized as the ultimate logic of post-war banking, the fixed charge current account. New customers of the Midland can now if they wish buy cheques at sixpence each (including stamp duty) and know that they will incur no further charge. Their sixpences will entitle them to pay in to their accounts and draw cheques on them, and no more; if they want the ancillary services – including standing orders, open credits, travellers' cheques, deed boxes in the strong room or the branch manager's advice – they must switch to a normal account.

There was such an explosion of press comment on the personal loan that the personal cheque seems to have been received as an anti-climax. This is, of course, to get the accent quite wrong; the latter innovation is by far the most important. The banks have long realized that post-war redistribution of incomes has put very large sums of money in the hands of a class which has never acquired the banking habit – which indeed is shy of, if not actually frightened by, the aura of middle class respectability that surrounds the banks. Not all bankers have agreed about the need to go after that money, but it is only by spreading the banking habit downwards in the social scale that the banks can look for any further substantial progress – moreover, there is, of course, a political argument in the fact that a purely middle-class service is not well placed to resist nationalization, in whatever form it might be threatened in the future. Personal loans may encourage a few newcomers to banking, but the fixed charge account should bring in far more: to go into a strange place and ask for an advertised product the price of which you know, is very much easier than to go there in search of something which is itself an unknown quantity.

Two of the 'Big Five', Lloyds and the National Provincial, and one of the smaller clearing banks, Coutts, have said that they do not propose to introduce personal loans, because their existing loan arrangements can meet all their customers' needs; and Barclays have laid some stress on the fact that whenever possible they grant ordinary accommodation at ordinary rates, rather than personal loans at an effective 9 per cent. In fact, the extra interest is justified only to cover extra risk, and extra risk will be involved mainly in lending to new and untried customers. On this showing the personal loan schemes are also designed to spread the banking habit; and it will be most interesting to see in the months to come what success attends these efforts, and of course, what steps the other banks take to meet the Midland's latest move.

For this is a formidable challenge even apart from the search after working class money. It is probably true to say that the banking public generally has not been nearly as enthusiastic as the press about the new spirit in banking: m[illegible] established customers have mourned the pas[illegible] of the dignified reserve to which they have be[illegible] so long accustomed, and the banks that have abstained from personal loans have undoubtedly gained some conservative credit in so doing. But they have probably gained little else; and the Midland are now offering an attractive bait to small customers of all the other banks who, having little enough use for any bank services apart from cheques, have in the past complained about their charges. The incursion of the banks into the hire-purchase field produced its immediate and healthy effect on hire-purchase interest rates generally. It is very likely that the 'cheap cheque' will do as much to rationalize bank charges for the private customer everywhere.

Nor, of course, is this the end of banking evolution. The International Banking Summer School has been meeting this year in Scotland where the banks, which have lately been following the English lead in innovation, have long since adopted published scales of charges for all customers. Members of the school have heard a Dutch banker describe the postal transfer system commonly used in Europe, and an American banker has discussed the automation of bank procedures. The future has plenty of possible variations on these and other themes; all that can be said so far is that the British banks have shown that they are not really so conservative as we may have thought. They may have lost some dignity in the process, but there is every reason to believe that competition is as salutary in banking as it is everywhere else.

National Income and Expenditure

AS in former years, the Blue Book on National Income and Expenditure, published last Monday,[1] provides a complete statistical picture for 1957 and compares it with earlier years. It fills in the outline given in the *Economic Survey* and the White Paper on *Preliminary Estimates*, which were discussed in the April 5th issue of *The Accountant*.

The gross national product in 1958 is estimated at £19,378 million, an increase of 6 per cent in money terms and about 1½ per cent in real terms, over 1956. Between 1948 and 1957 the nation's total output of goods and services increased by 30 per cent – an average increase of just over 2½ per cent per annum. But most of this increase had been achieved by 1955; since then the total increase has been just over 2 per cent. The national income statisticians calculate that last year capital consumption equalled one-eleventh of the gross national product – a considerably higher proportion than in pre-war days. This indicates that the nation's stock of capital goods is at a much higher level than in 1938. Indeed, gross fixed investment absorbed 17½ per cent of the gross national product last year, but only just over 12½ per cent in 1938.

About five-eighths of the gross national product was derived by way of income from employment. Between 1956 and 1957 income from employment (in the main, wages and salaries) rose by 6 per cent, but income from self-employment, i.e. incomes of professional people working on their own account, farmers, shopkeepers, etc., rose by less than 5 per cent. Looked at from the expenditure side it seems that about 63 per cent of the total represented expenditure by consumers, 18 per cent by public authorities' current expenditure on goods and service, just over 17 per cent gross fixed investment and about 2 per cent consisted of an increase in stocks and work in progress. Public expenditure as well as fixed investment are now a higher proportion of the gross national product than in pre-war days; consumption has fallen from over 70 per cent to its present ratio of 63 per cent.

There are some 130,000 fewer people in the lowest income bracket: last year 12,630,000 (counting husband and wife as one person) were receiving less than £500 a year before tax, compared with 13,960,000 in 1956. Some 11,190,000 received between £500 and £1,000 (10,210,000 in 1956); 1,375,000 (1,125,000) between £1,000 and £1,500; 327,000 (295,000) received £1,500–£2,000; 312,000 (296,000) received £2,000–£5,000, and 66,000 (64,000) received over £5,000 a year. The total income of companies and public corporations before taxation and before provision for depreciation, was 6 per cent higher last year than in 1956; the increase between 1948 and 1956 was 83 per cent. United Kingdom taxes absorbed about one-quarter of last year's total company income.

The report contains, among many others, an interesting table showing the cost composition of final output from 1948 to 1957 in terms of percentages. In 1957 final cost was made up as follows: income from employment 49 per cent; gross profits and other trading income, 24 per cent; imports of goods and services, 17 per cent; and taxes on expenditure, 10 per cent. There have been only small changes in these proportions since 1950 when income from employment was 48 per cent and imports 18 per cent. The large increase in import prices registered in 1951 upset these relationships, but since then they have resumed their former position. The value of this table lies in the help which it gives in the calculation of the effect on costs, of changes in wage rates or import prices for instance. Thus, with unchanged output every 1 per cent increases in wages and salaries increases costs by ½ per cent but it needs a fall of 6 per cent in import prices to bring down costs by an average of 1 per cent.

How was investment financed last year? Including investment in stocks, total investment in Britain and overseas in 1957 equalled £4,100 million. Personal savings provided about 36 per cent of this, public surpluses 16½ per cent, undistributed corporate profits almost 50 per cent, the balance being made up by stock appreciation and unexplained error. Since 1950, personal savings have largely taken the place of large Budget surpluses.

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[1] *National Income and Expenditure, 1958.* H.M.S.O., price 7*s* 6*d* net.

The Authority of an Auditor

POSITION RELATING TO STATUTE-BARRED DEBTS

by W. H. D. WINDER, M.A., LL.M.

THE auditor of a company is (apart from any special contract) not an agent of the company, at any rate for the purpose of being able to bind the company by merely signing the normal certificate at the foot of the balance sheet. To hold otherwise, Mr Justice Wynn-Parry said in the case of *In re Transplanters (Holding Company) Ltd* ([1958] 1 W.L.R. 822), would be contrary to the Companies Act, 1948. In this case, he remarked,

> 'the only part which the auditors play are as auditors to give the necessary certificate; and the mere fact that they are described as chartered accountants is nothing more than purely descriptive matter'.

Their signatures are appended in their capacity as auditors.

The exact extent of the authority of the auditor in this case was of vital importance to the company for it was being alleged that the balance sheet contained an acknowledgement of a debt owed by the company, the debt being statute-barred under the Limitation Act, 1939. Section 23 of that Act states that where any right of action has accrued to recover any debt and the person liable therefore acknowledges the claim, the right shall be deemed to have accrued on and not before the date of the acknowledgement. Every such acknowledgement shall be in writing and signed by the person making the acknowledgement and then Section 24 (2) goes on:

> 'Any such acknowledgement... as aforesaid may be made by the agent of the person by whom it is required to be made under the last foregoing section, and shall be made to the person, or to an agent of the person, whose title or claim is being acknowledged.'

No Authority to Acknowledge a Debt

One of the questions in this recent case was whether the auditor was sufficiently an agent of the company for the purposes of this section of the Limitation Act.

One of the two directors of a company in compulsory liquidation claimed that the company owed him money. The proof of the debt was rejected by the liquidator on the ground that it was statute-barred at the commencement of the winding-up. The director made an application to the Court that this rejection be reversed. He alleged that there was a sufficient acknowledgement of the debt within the meaning of Sections 23 and 24 of the 1939 Act, as the debt appeared among the loans to the company in two balance sheets within the time provided by the Act. The balance sheets were signed by the director and his co-director and certified by the company's auditors. There was found to be a sufficient indication on the face of the balance sheets of the amount owing to the director. But was there a signed acknowledgement?

Apart from special contract, it was held that the relations between a company and its auditors are governed by the provisions of the Companies Act, 1948, and their duty, as expressed by Section 162 (1) of that Act, is to make a report to the members on the accounts examined by them, and on every balance sheet and every profit and loss account, and their report is to contain a statement as to the various matters mentioned in the Ninth Schedule. The duties of an auditor are statutory, not contractual, in essence.

> 'That scheme seems to me designed to produce this result, that a skilled professional man or a firm of skilled professional men is or are appointed in order that there is to be before the company all the requisite information indicated in the Act, and that by their certificate they pledge themselves that they have properly performed their statutory duty.'

That is how Wynn-Parry, J., viewed a company auditor's function.

His conclusion was that he could not spell out of their certificate anything which would amount to an acknowledgement within Sections 23 and 24 of the Limitation Act, 1939, because he could not spell out of their relations with the company, as to be extracted from the Companies Act, any authority to do anything in the nature of giving an acknowledgement within the Limitation Act, or any authority to do more than perform the duties laid upon them as auditors by the Companies Act.

Acknowledgement when Acting as Agent

In reaching this conclusion an earlier precedent, that of *Jones v. Bellgrove Properties Ltd* ([1949] 2 K.B. 700), had to be carefully distinguished. It has sometimes been suggested that this precedent recognizes the authority of an auditor to acknowledge a debt by signing his certificate. Any such suggestion must now be regarded as unsound in view of the way this case was distinguished in *In re Transplanters (Holding Company) Ltd.*

In *Jones v. Bellgrove Properties Ltd* a balance sheet was presented to the shareholders at an annual general meeting of the company – signed by chartered accountants described as agents of the company, and by two directors – containing the statement:

'To sundry creditors, £7,638 8*s* 10*d*'

and the plaintiff attended the meeting as a shareholder. He was owed a sum of some £1,800, the balance of moneys lent to the company by him. The debt did not accrue within six years of an action brought by the plaintiff against the company to recover the debt. The annual general meeting was held within that period. In these circumstances the Court of Appeal dismissed an appeal from Birkett, J., holding

> 'that the balance sheet contained an acknowledgement to the plaintiff, in writing, signed by the agents of the company,'

and that, therefore, by virtue of Sections 23 and 24 of the Limitation Act, 1939, the debt was recoverable.

At the beginning of his judgment in the Court of Appeal, Lord Goddard, C.J., said:

> 'I wish to make it clear that our decision is based on the special facts of this case.'

The Court held that a balance sheet can amount to an acknowledgement within the meaning of the Limitation Act. But Lord Goddard proceeded upon this basis:

> 'Evidence was given that at the annual general meeting of the defendant company on December 31st, 1946, at which the plaintiff was present in his capacity as a shareholder of the company, the accounts of the defendant company for the years 1939 to 1945 inclusive were presented to the meeting. Those accounts were signed by the company's accountants as agents for the defendant company, and by two directors of the company.'

That statement limits the effect of the decision. One should not go further than the language used by the Court. Therefore, in this case one must take it that the accountants did sign the balance sheet as agents for the company. This was not so in the recent case. It is clear from the reasoning in this case and from the way in which the earlier case was distinguished by Wynn-Parry, J., that normally an auditor will not be held to have signed as agent.

Auditors as Agents for Some Purposes

For certain purposes auditors may be described as agents and even as servants of the company. As they are appointed by the company it may not always be too inaccurate to describe them in this way. They were so described by Farwell, L.J., in *Cuff v. London and County Land and Building Co Ltd* ([1912] 1 Ch. 440):

> 'They are servants of the company appointed by the company; and, if the shareholders did not desire them to act, no Court would by mandatory injunction force them upon the company.'

In this case the secretary of a company having been guilty of defalcations, by which loss was occasioned to the company, the directors alleged that the company's auditors had by negligence in the performance of their duties conduced to the defalcations, and refused to give the auditors access to the company's books for the purposes of audit. The auditors thereupon brought an action against the company and the directors, claiming a declaration that they, as auditors, were entitled at all times to access to the company's books and an order for access thereto. The time having arrived when, in the ordinary course, the audit of the company's accounts by the plaintiffs should be proceeding for the purposes of the next annual general meeting, they made an interlocutory application in the action for an order that the defendants should give them access to the books. The Court of Appeal refused such a mandatory order against the company and directors.

The auditors put their claim on the ground of their duty to protect the rights of the company. Farwell, L.J., in giving judgment said:

> 'The contention on their behalf goes to this astounding extent: that, although an auditor be a convicted felon, his right is statutory, and cannot, by any possibility, be taken away from him. It may or may not be so. As at present advised, it seems to me extravagant; but, even if it were so, it is one thing to say that a man has a statutory right, and it is quite another thing to say that the Court, in the exercise of its judicial discretion, is bound to grant a mandatory injunction in order to give effect to that right.'

His lordship could not 'assent to the contention of the plaintiffs' counsel as to the supreme position of the auditors' and he then described them as servants of the company appointed by the company. If the company chose to say in general meeting that, having regard to the non-inspection of the books in question, they did not wish the plaintiffs to act as auditors any more, no court could possibly compel by way of injunction, specific performance of what Farwell, L.J., described as 'the contract of service of the auditors'.

Acknowledgement and Promise to Pay

In addition to the auditor's certificate in *In re Transplanters* (*Holding Company*) *Ltd*, being held an insufficient acknowledgement under the Limitation Act, it was held that the director's own signature was insufficient. The reason was that he himself was interested in the debt. The decision in *In re Coliseum* (*Barrow*) *Ltd* ([1930] 2 Ch. 44) was followed. In that case Maugham, J., said:

> 'The difficulty in the present case is that the promise, if any, is a promise by the directors, as a board acting on behalf of the company, to pay to themselves the amount of the directors' fees, and it seems to me that this is not, in the circumstances, a promise to pay on behalf of the company. Having regard to the position which a director, as agent of the company, necessarily occupies in relation to the company, it would not have been competent action to the board, acting as a board, to authorize the giving of a definite promise to pay to themselves.'

Under the law as it then was, a 'promise' to pay could prevent the Statute of Limitations from running, but under the present Act of 1939 an 'acknowledgement' will prevent time from running against the creditor.

But it is clear that for such purposes as this there is no difference between a promise to pay and a mere acknowledgement. This was explained in *Ledingham v. Bermejo Estancia Co Ltd* ([1947] 1 All E.R. 749).

The present position, therefore, is that there is normally no danger in the signatures of auditors reviving a statute-barred debt against the interests of the company when they are certifying under Section 162 of the Companies Act and no danger of directors' signatures reviving such a debt when it was due to themselves.

European Commentary—II

by KENNETH S. MOST, LL.B., A.C.A.

Belgian Accountants Favour Registration

THE *Journal de la Comptabilite* (Brussels) of March 31st, 1958, contains the text of a law which has been introduced in the Belgian Senate, with the object of achieving registration of the accountancy profession. The law also attempts to define the three terms 'expert comptable' (accountant having the highest qualifications), 'chef comptable' (chief accountant of an organization) and 'comptable' (book-keeper capable of keeping books up to the trial balance stage).

The use of the titles 'expert comptable officiel' or 'expert comptable agréé' would be confined to those persons whose names appeared on the register of accountants of this type kept by the Ministry of Economic Affairs. The register would be in two parts, one for those accountants practising independently and the other for those working under a contract of employment. In order to be registered, an accountant would have to be a Belgian national, aged 30 or over, and a member of a professional body recognized for this purpose by the Ministry.

The use of the titles 'chef comptable agréé' or 'comptable agréé' would be similarly restricted to those whose names appeared on registers kept by the Ministry. A 'chef comptable agréé' or a 'comptable agréé' would have to be a Belgian national, aged not less than 25 or 21 years respectively, and member of an appropriate professional body recognized by the Ministry.

The draft law also includes penalties for falsely using the titles, and for an accountant who divulges information which he has obtained confidentially in the course of his work. Its provisions concerning the professional bodies which may be recognized by the Ministry are sufficiently wide to include all major professional associations in existence on December 31st, 1957.

Shares of No Par Value

In an article on 'Shares of no par value', by Dr Roland Schupp, which appeared in *Die Wirtschaftsprüfung* (Stuttgart) on July 1st, 1958, the author severely criticizes the German percentage method of expressing share prices, and with it all methods of quoting shares which are based upon the nominal value of the share. He points out the advantages of the share of no par value, which benefit shareholders, companies and the general public.

From the point of view of the investing public, the dividend is not expressed as a percentage of nominal, which may bear no relation to current quoted price. It is expressed as so much per share, and the yield can be obtained by a simple calculation within the powers of all. There is a consequent saving of labour for banks, stockbrokers and all who deal in shares.

From the point of view of the company, it is free to split its shares at will and thus keep share values low enough to appeal to even the smallest investor. It is an accepted fact that small share units are easier to introduce and to deal in than are large ones.

It happens frequently that companies accumulate reserves without increasing their nominal capital, when the dividend expressed as a percentage on nominal capital becomes an aid in keeping shareholders ignorant of true operating results.

First introduced in New York State in 1912, shares of no par value are now permitted in most States of the U.S.A., in Canada, Mexico, Belgium and Liechtenstein. Whereas their use has assisted in popularizing the stock-market in most States, it is noteworthy that little development in this respect has taken place in Mexico.

A detailed list of company regulations in fourteen countries which the writer has drawn up reveals an alarming variation in standards for incorporation, which leads one to speculate whether the legislators can possibly have had any clear idea about the objects of their legislation.

German Superannuation Plans

In a speech by Dr Theodor Blank, German Minister of Labour and Social Relations, reported in *Der Wirtschaftstreuhänder* (Stuttgart) of May 15th, 1958, Federal policy on pension schemes for members of the liberal professions was explained. The sociological structure of the German nation had changed, in consequence of the losses of the two world wars, and this change had had an effect upon the individual's relations with the cultural, technical and social conditions in which he found himself. One of these effects was the demand for social security, which was not a philosophical or literary question only, but an acute personal problem.

In particular, the problem of retirement pensions was felt at all levels, and the Ministry was trying to solve it for all classes. The middle classes, which included civil servants, salaried employees and members of the liberal professions, must be provided for in a manner which corresponded with their sense of justice, and their place in the social order.

The Ministry was working out its plans for State pension schemes in collaboration with the professional bodies, and was trying in this way to help these bodies to help themselves, so that anything in the nature of State-controlled professions could be avoided. It was necessary to eliminate the employer-employee relationship in the course of these negotiations, and different approaches and methods were required from those which were usual in planning pension schemes.

Mechanized Accounting

The January 1958 edition of the *Boletin da Sociedade Portuguesa de Contabilidade* (Lisbon) contains an article on the problems of mechanized accounting, by the French expert Lucien Caille.

He points out that the difficulties of mechanization are added to by the diversity of machines, whether seen from the standpoint of competitive makes or from that of the two possible lines of approach, direct entry book-keeping machines or punched-card equipment. After a review of the existing types of direct entry book-keeping machines, the common characteristics of which are said to be (1) registers capable of vertical and horizontal totalling; (2) automatic balance production, with control mark if arithmetic correct; (3) interchangeable control mechanisms allowing a variety of jobs to be done; and (4) front-feed devices for card insertion, the writer specifies the characteristics of the ideal machine. These are (1) a direct multiplication switch; (2) reduced typewriter keyboard which permits checking the result printed; (3) numerous totalling registers with transfer facilities; and (4) clear printing. We shall probably have to wait many years before one machine is available which combines these qualities, owing to the various patents which protect the ingenious mechanisms of each make.

Punched-card equipment is characterized by the intermediate stage of preparing the punched card, which makes possible machine sorting, etc. The writer divides punched-card equipment into (1) preparatory – punches, verifiers, sorters and collators; and (2) operational – calculators and tabulators. A little outside this division is the type of punched card which prints the data punched on to the card in a space at the top.

Limitation of Rates – III

Premises Occupied for Charitable and Similar Purposes

by SPENCER G. MAURICE

Nursing and Nurses

IN *General Nursing Council for England and Wales v. St Marylebone Corporation* ([1957] 3 All E.R. 685), the Court of Appeal reversed the decision of Danckwerts, J. ([1957] 2 All E.R. 791), that the General Nursing Council for England and Wales was entitled to relief under Section 8 (1) (*a*) on the ground that it was concerned with the advancement of social welfare. The purposes and functions of the Council were to maintain a register of nurses, together with a roll of assistant nurses; to regulate accordingly the conditions of admission to and removal from the register and the roll, and, in connection therewith, to exercise supervisory and directing powers in regard to training and examinations; and to exercise such other powers and duties as were ancillary to and consequent upon the foregoing.

In reaching their decision the Court of Appeal were guided by *General Nursing Council for Scotland v. C.I.R.* (8 A.T.C. 384; 14 T.C. 645), since it was accepted that there was no difference as regards the main objects of the Council for England and Wales and the Council for Scotland. The Court of Session had observed that the chief duty and function of the Council for Scotland was the formation and maintenance of the register of nurses. The results were and were intended to be, on the one hand the enhancement of the qualities and status of nurses and, on the other, the benefit and protection of the public, particularly of the sick. The two achievements were essentially inseparable. The public were benefited because the nursing profession was improved and its status enhanced, and the status of nursing was improved in quality and prestige because and to the extent that the public were benefited and safeguarded.

To Benefit the Public may not be Enough

Considering whether it could be said that those main objects were 'concerned with the advancement of . . . social welfare', the Court of Appeal did not agree with Danckwerts, J., that every organization 'established for the purpose of benefiting the public' should be treated as one the main objects of which were concerned with the advancement of social welfare on the ground that, since 'welfare' was synonymous with well-being, therefore social welfare and public benefit must mean and be the same thing. Lord Evershed, M.R., delivering the judgment of the Court, pointed out that on this view it would seem to follow that every statutory or other scheme for creating any professional body would prima facie qualify within Section 8 (1) (*a*). He referred to the observation of Sargant, L.J., in *General Medical Council v. C.I.R.* (7 A.T.C. 121; 13 T.C. 819), that the proper regulation of the professions of the law or of any other scientific profession must indubitably be for the public benefit, since those sections of the public who required the assistance of lawyers or, for example, accountants, would thereby be safeguarded and assisted. So wide a significance attributed to the words 'social welfare', said Lord Evershed, would make the earlier reference to the advancement of education wholly otiose, and, furthermore, such a view appeared inconsistent with the reasoning of the Court as expressed in the judgment of Parker, L.J., in *Trustees of the National Deposit Friendly Society v. Skegness Urban District Council* ([1957] 3 All E.R. 199)[1], and with the restrictions which, according to that judgment, had to be applied to the wide and vague meaning which the phrase 'social welfare' might otherwise bear.

At Least there must be 'Good Works'

Rejecting arguments based on the fact that provision for the health of individual members of the community was comprehended amongst the characteristics and obligations of what is called the Welfare State, and an equation of 'welfare' with 'well-being', which was said to be supported by certain remarks in the House of Lords in *C.I.R. v. Baddeley* ([1955] A.C. 572; 34 A.T.C. 22; 35 T.C. 661), Lord Evershed voiced the opinion of the Court that the phrase 'social welfare' involved at any rate the conception of what used to be called 'good works', so that the advancement of social welfare ought not to be equated with the promotion, generally, of the well-being of society or sections of society. In the circumstances the General Nursing Council could not successfully bring itself within Section 8 (1) (*a*).

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[1] See Part I of this article in August 30th issue.

Housing Trust

In *Guinness Trust (London Fund) Founded 1890 Registered 1902 v. West Ham Corporation* ([1958] 2 All E.R. 237) the Divisional Court of the Queen's Bench Division held that a housing trust was, on the facts of the case, conducted for profit and therefore not within Section 8 (1) (*a*). The deed establishing the trust provided that it was 'the intention of the founder that the original capital of the fund should, by expenditure on objects of a permanent character returning a fair low rate of interest . . . be kept intact and go on increasing, so that . . . the purpose to be kept in view may be assistance to individuals to improve their condition, without placing them in the position of being the recipients of a bounty.' Their lordships found that, though the trust was not established for profit in the sense that that was not the object of the trust, it was to be conducted for profit and existed in order that there might become an accumulation of funds which would enable the trustees to invest in other buildings and thus increase the benevolent objects which the settlor had in mind. The clause quoted distinguished the case from *Trustees of the National Deposit Friendly Society v. Skegness Urban District Council*, which showed that if a profit were being made the rating authority was not concerned with what was done with that profit. It made no difference that the main objects of the trust were charitable.

Holiday Camp

It remains to consider two cases in which limitation under Section 8 (1) (*a*) was successfully claimed. In the first of these cases, *Derbyshire Miners' Welfare Committee v. Skegness Urban District Council* ([1957] 3 All E.R. 692), the Court of Appeal, confirming the decision of the Divisional Court ([1957] 2 All E.R. 405), distinguished *Trustees of the National Deposit Friendly Society v. Skegness Urban District Council*. The Committee's claim was in respect of a holiday camp and premises which were occupied by them on trust to

> 'permit the . . . premises to be used for the purpose of a holiday centre and a recreation or pleasure ground for the benefit of workers in or about coal mines employed by collieries in the Derbyshire district (including the dependants and invitees of the said workers)'.

The camp was attended only by workers in or about coal mines in Derbyshire (excluding south Derbyshire), their wives and children, for whom holidays were provided at cost price, the Committee seeking to make neither a profit nor a loss of their operations. The funds for the establishment of the camp had been provided out of compulsory contributions levied under Acts of Parliament upon the coal industry and grants for capital expenditure were made by the social welfare organization set up under the Miners' Welfare Act, 1952.

Social Welfare Advanced

To an overwhelming degree the expenses of the camp were paid by those who enjoyed its benefit and the rating authority argued that the case could not be distinguished from the *National Deposit* case, because here again it was those who belonged to the organization who contributed most of the assets. Ormerod, L.J., delivering the judgment of the Court of Appeal, said that there was a clear distinction between the two cases. On the one hand there was a friendly society carrying on what was in effect the business of a mutual insurance company; while on the other there was a committee carrying on a holiday camp on premises which had been provided otherwise than by those entitled to benefit so that holidays might be enjoyed at a cost not greater than that of running the camp and providing for the upkeep.

It could hardly be denied that a camp such as that tended to promote the happiness and well-being of those entitled to make use of it, and it was unnecessary to attempt any precise definition in order to come to the conclusion that the object of providing the camp was one concerned with 'social welfare'. In rejecting an argument that the object of providing the camp could not be said to 'advance' social welfare, the Court held that the camp by its very existence could be said to 'advance' social welfare by improving the lot of those persons entitled to take advantage of it. On a further question, that the class of person entitled to benefit was not wide enough to bring the object within Section 8 (1) (*a*), their lordships agreed with the judgment of Donovan, J., in the Divisional Court that the persons entitled did in fact constitute a sufficiently large and important section of the community for the purposes of the section. Their lordships did not think the case governed by *Oppenheim v. Tobacco Securities Trust Co Ltd* ([1951] A.C. 297), where the House of Lords held that the nexus of employment by a public company did not satisfy the test of public benefit.

Nursing Again

In *Royal College of Nursing v. St Marylebone Corporation* ([1958] 1 All E.R. 129), the Divisional Court distinguished *General Nursing Council for England and Wales v. St Marylebone Corporation* on the facts. Article II (B) of the amended charter of incorporation of the Royal College of Nursing stated its main objects to be:

> 'To promote . . . the purposes hereinafter set out and in particular: (*a*) to promote the science and art of nursing and the better education and training of nurses and their efficiency in the profession of nursing; (*b*) to promote the advance of nursing as a profession in all or any of its branches. . . .'

It was conceded that object (*a*) was charitable so that the decision depended upon the nature to be ascribed to object (*b*), since it was clear from *Berry v. St Marylebone Corporation*, if one of the main objects was not of the kind specified in Section 8 (1) (*a*), relief would not be due. To regard a main object which was outside the section as ancillary to another main object which was in it did not help, as, ancillary or not, the one object would still be a main object, and if it was outside the scope of the section relief would not be due.

Nursing – Not Nurses

Donovan, J., giving the judgment of the Court, pointed out that if object (*b*) had been simply 'to promote the advance of nursing in all or any of its branches', the object would have been clearly and admittedly charitable. It was the addition of the words 'as a profession' which caused the difficulty and gave rise to the dispute. His lordship referred to the dictum of Lord Macnaghten in *C.I.R. v. Forrest* ((1890) 15 App. Cas. 334, 354; 3 T.C. 117)[1] and to *Institution of Civil Engineers v. C.I.R.* ([1932] 1 K.B. 149; 10 A.T.C. 173; 16 T.C. 158), where the Court of Appeal held that the position in regard to the Institution of Civil Engineers was the same as it had been in the *Forrest* case, and to the majority decision on the House of Lords in *Royal College of Surgeons of England v. National Provincial Bank Ltd* ([1952] A.C. 631; [1952] 1 All E.R. 984), that the objects of the College which were 'the due promotion and encouragement of the study and practice of the said art and science' (i.e. surgery), did not include the promotion of the professional interests of surgeons. In the last case, Lord Morton of Henryton had regarded it as important that nowhere in the College's charter could there be found a statement that one of the objects of the College was the promotion of the interests of individuals carrying on the profession of surgeons.

Recognizing that the question before them might be regarded as ambiguous, the Divisional Court looked to the surrounding circumstances and found, first, that the Royal College of Nursing was a college giving full-time education in the art and science of nursing and was not an organization called into being simply to protect and improve the pay and working conditions of nurses; and secondly, that Quarter Sessions had found in effect that the activities of the College were directed to the raising of the standard of nursing, rather than to the promotion of the interests of nurses as an end in itself. In the circumstances their lordships came to the conclusion that object (*b*) was directed to the advancement of nursing and not to the advancement of the professional interests of nurses, and was accordingly charitable, so that the College was entitled to relief under Section 8 (1) (*a*).

The Case for Reform of the Law

The cases which have been discussed above show how difficult it is for organizations which are established for what may broadly be described as 'worthy' purposes to establish a claim for rating relief, and how difficult it is for the Courts to apply the law. Moreover, it is illogical that different considerations should govern relief from income tax and relief from rates as is at present the case. It is of interest, therefore, that a committee has been appointed which has among its terms of reference review of the present treatment for rating of hereditaments in England and Wales occupied for purposes of a charitable nature or for other similar purposes, and in particular consideration of the provisions of Section 8 of the Act of 1955. It is to be hoped that this committee will be able to recommend some simplification and rationalization of the law and that effect will be given without delay to any recommendations to this end. The danger seems to be that the committee's terms of reference may not go far enough.

(*Concluded.*)

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[1] Cited in Part I of this article in August 30th issue.

The Director and Financial Control

by J. M. S. RISK, B.Com., Ph.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M.

FINANCIAL control is sometimes taken as being synonymous with ownership. One speaks about this or that person or group having obtained financial control of a particular company. Unfortunately ownership does not automatically bring control but is simply the authority to exercise control. It poses the problem; it does not answer it.

The term financial control is commonly used in the sense of restricting expenditure, whether or not a budget or other yardstick has been established.

There is also the aspect of maintaining a proper balance between stocks, debtors and creditors; and between fixed assets and liquid assets.

Finally financial control can mean guidance and direction on the basis of figures, which, at director level are usually expressed in financial terms; for, as the first chairman of the British Institute of Management, Sir Charles Renold, has said:

> 'The extreme importance of the technique of accountancy lies in the fact that it works in the most nearly universal medium available for the expression of facts, so that facts of great diversity can be represented in the same picture.'[1]

In this sense, financial control is one aspect of planning and control in general; the establishment of plans and the measurement of how the plans are being fulfilled or otherwise.

It goes without saying that there should be internal rules covering the disbursement of all expenditure, so that it is clearly known by all employees who is entitled to incur expenditure, for what purposes and to what extent, within a given interval of time. This rule should apply also to the usage of materials and services.

Instructions on these matters may usefully be incorporated in a set of Standard Practice Instructions to ensure continuity of procedure, for as time goes on changes occur in the staff.

The Concept of Balance

I think it was Field Marshal Lord Montgomery who referred to the need for a suitable balance of all factors involved in military operations, and the same may be said of business operations.

This arises particularly in the control of liquid assets and liabilities. If stocks increase by a greater amount than is justified by the volume of output, then the business will get out of balance.

A rise in stocks of itself may not be a bad thing if it is concurrent with an increase in output, or if it is the result of deliberate policy to effect quick sales or to ensure continuity of production in times of material shortages. Sometimes, however, an adverse rise occurs for no good reason at all.

Similar observations may be made about debtors and creditors. It is therefore convenient to relate these items to the facet of operations with which they are associated and to check the position each month (or four-weekly period). To enable minor trends to be observed from month to month, the relationships are expressed as the number of days stocks in hand related to the cost of goods sold in the twelve months to date. Trade creditors are related to purchases, and trade debtors are compared with sales.

In addition, the ratio of total current assets to current liabilities should be watched.

CURRENT ASSETS AND LIABILITIES

	Stocks to cost of goods sold	*Debtors to sales invoiced*	*Creditors to purchases*	*Current assets to current liabilities*
	Days	Days	Days	
Jan.				
Feb.				
Mar.				
April				
May				
June				
July				
Aug.				
Sept.				
Oct.				
Nov.				
Dec.				

The Concept of Vulnerability

Break Even Points

It is usual for tables and charts to be prepared showing the point at which a company will break even, having regard to the proportion of fixed overheads. To some extent, the break-even point will depend on the nature of the industry, but financial policy will normally aim to achieve a low break-even point, so that any slight recession should not affect the company critically. On the other hand, where there is an assured market, it may well pay to incur heavy expenditure on making processes automatic, thereby raising the break-even point but also increasing the profit more rapidly after the break-even point has been passed. This aspect of financial control will merit increased attention in proportion as automation is extended.

A Higher Management Lecture, included in the seventeenth annual series arranged by the London Branch of the British Institute of Management, delivered on June 18th.

[1] 'The Function of Management' in *Management and the Accountant*. Gee & Co (Publishers) Ltd, London. 1950.

Percentage of Fixed Assets

Generally speaking, the higher the percentage of fixed assets, the greater will be the amount of depreciation, maintenance charges and associated expenditure, probably tending towards a high break-even point. For purposes of illustration, the summarized disposition of assets of three companies (adjusted for purposes of illustration) is as follows:

Company	*Cash & Debtors* %	*Stocks* %	*Fixed Assets* %	*Total* %
A.	40	39	21	100
B.	26	30	44	100
C.	29	38	33	100

These companies operate in quite distinct industries; no doubt substantial differences were to be expected.

Proportion not yet Written Off

It may also be as well to consider the extent to which the fixed assets have not yet been written off. The percentage of plant and machinery of the above-mentioned three companies not yet written off was respectively 46 per cent, 65 per cent and 49 per cent. It will be noted that a low figure may be the result either of charging heavy depreciation so as to write off the assets before the end of their useful life, or it may mean that the assets are old and hence that substantial capital expenditure may have to be faced in the near future. Each company will know from its own circumstances which is the correct answer.

Sources of Finance

Directors may also review their company's vulnerability by checking the proportion of finance derived from different sources. The three companies used for illustration show the following picture. An additional example has been added.

Company	*Shareholders incl. reserves* %	*Loans and overdraft* %	*Creditors* %	*Total* %
A.	50	27	23	100
B.	75	7	18	100
C.	57	5	38	100
D.	34	39	27	100

These proportions are relevant both to the immediate or short-term liquid position of the company and with regard to the possibility of losing control or partial control to outside interests.

Number of Customers or Suppliers

Another aspect of vulnerability is the degree to which a company is dependent on a small number of customers or suppliers. For example, this might apply to a supplier of consumer goods where economy in production could be achieved through making goods in long runs for a single customer; or alternatively, where a nationalized industry takes the bulk of the output.

Akin to the dangers which may exist in having a small number of customers in the home market are those encountered by a company which exports a large part of its output, for economic and political conditions in many parts of the world can have an important bearing on net profits.

Again, information on the value of the total market at home and overseas will be useful, including the share held by one's own company. Presumably, the smaller the proportion, the greater the possibility of increasing it and the less the chance of losing the present share; subject to the possibility of being squeezed out through improved mass production techniques by any dominant manufacturer in the industry.

Take-over Bids

A careful watch will, no doubt, be kept on the relationship between the book value of a company's assets and their current market value; likewise the company's dividend policy will be reviewed so as to obviate the possibility of take-over bids.

The financial statistics reflecting all these factors will be of value to the board in deciding on future policy.

The Concept of Continuity

If only to try to maintain a company's present position, certain types of expenditure need to be constantly watched, both to control the amounts being spent against the value obtained and also to ensure that in fact a sufficient proportion of current income is being allocated to activities which will benefit the company in the future.

Publicity and Advertising

The extent and effect of advertising and publicity must be controlled, though the calculation of the benefits obtained in any *one* year from exhibitions and such like may well be difficult to measure. An assessment of expense and results over a period of years may prove of value: here is a facet of control on which research might well be fruitful.

Research and Development

For most companies research and development are of great importance to future well-being. In large groups of companies, research and development can be sub-divided between pure and applied research, between development of entirely new products and the improvement of present ones. In the smaller organization, it may often be difficult to isolate accurately the amount spent on each aspect. Nevertheless, the total spent each year, the results obtained, and the percentage of turnover or of net profit so used should be recorded, so that directors can check that current profits are not too greatly deflated nor future profits prejudiced by too much or too little expenditure on research and development. Here again, a review covering a period of years may be helpful. Under research, one should also include the development of new processes and methods in all departments and activities.

Capital Expenditure

The effect of capital expenditure on continuity and expansion will be discussed later; such expenditure is, of course, relevant in safeguarding the continuity of a business.

Directors and Staff

In the long run, the most important single factor in the success of a company is probably the calibre of the directors and the staff, including under these terms all those who work for the concern. It is useful to prepare a graph showing the distribution of employees by age, with separate charts for male and female employees. It may also be revealing to show year by year, the number of employees with five years' service or less, six to ten years' service and so on. An increasing number of employees with many years' service is obviously of value to 'continuity' but one must also safeguard against continuity becoming synonymous with stagnation. Also of importance for the future, is the extent of the effort devoted to the training of staff for present and future posts, expressed in financial terms and otherwise as may be appropriate.

Delicate as the matter may be, the age of directors is not unimportant and it is not sufficient merely to watch the trend of the average of their ages, for a cluster of directors of about the same age will bring problems in the future. According to one's age and position, one will recall with greater or less approval the words of Colonel Urwick, who wrote:

> 'There is no subject the average group of human beings is more anxious to avoid than contemplation of the organization with which they are associated (being) relieved of their unique contribution.'[1]

The importance of good staff has been underlined by Lord Heyworth when he says that in Lever Brothers and Unilever Limited control 'rests basically upon three devices' the third of which is 'the selection and annual review of remuneration of top management'. (The other two devices are (1) 'The annual operating plans'; and (2) 'The annual capital expenditure budgets'.)[2]

Insurance

Under continuity, one may also bring the review at annual or other intervals of the amount and types of insurance cover held by the company.

The Concept of Growth

It has been said that a business cannot decide to remain static because if it is not expanding, it will be contracting either absolutely, as compared with its own past record, or relatively, with regard to more progressive competitors. This view may be expressed as the concept of growth.

Some organizations grow as Topsy did, but there comes a time when the scale of operations reaches a critical stage even for moderate-sized companies and future expansion must be the result of planned growth. For if the expansion is not planned adequately, the hazards will be greater than they need be.

Forecasts

If the policy of a board of directors is that the company should expand, forecasts must be made against which the financial implications can be revealed to ensure that the growth does not overstrain the available resources.

Forecasting of future sales and output is not an easy matter, but the deputy chairman of one progressive company operating in a highly competitive field, Mr John Ryan, has said this about the matter:

> 'I am amazed when I see – as I do from time to time – companies having to announce drastic changes in their fortunes – so different from the announcement they might have made some months before. The conclusion would seem to be that those in control did not know what was going on, could not see the wood for the trees, or were like the little girl who said "How do I know what I think till I hear what I say?".' Mr Ryan adds: 'I shall never weary of emphasising that we know a great deal more about future events than we think we do, because we are mentally lazy and do not marshal our thoughts.'[3]

The process of forecasting involves:

(1) The selection of all relevant factors, and the setting of them in order of importance.
(2) As detailed knowledge as possible of each factor and the reasons which cause changes in these factors.
(3) The evaluation of the trend of each factor.
(4) Correlating the estimated trends of each factor as a basis for making the provisional estimate of the company's future sales.
(5) Cross checking the forecast by every means possible.

For many companies, the forecasts needed will probably include some or all of the following items:

(1) Trend of world-wide demand.
(2) Trend of demand in Great Britain.
(3) Trend of competing products.
(4) The pattern of demand in Great Britain as affecting particular products.
(5) The share and type of demand forecast for the particular company.

Each factor should, if possible, be assessed in physical or financial terms, for it was said by Lord Kelvin that:

> 'when you can measure what you are speaking of, and express it in numbers, you know that on which you are discoursing. But if you can not measure it, and express it in numbers, your knowledge is of a very meagre and unsatisfactory kind.'

Plans

On the basis of forecasts plans can be made by the directors. These plans will doubtless be translated into budgets expressed in money terms, so that the directors can see the probable outcome of their proposals. At this stage, amendments may be needed.

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[1] 'The elements of administration forecasting and planning' by L. Urwick. *Journal of the Institute of Industrial Administration*. June, 1942.

[2] Sir Geoffrey (now Lord) Heyworth: *Lever Brothers and Unilever Limited in Large Scale Organization*, edited by G. E. Milward. MacDonald & Evans, London. 1950.

[3] Mr John Ryan, deputy chairman, Metal Box Co Ltd, 1951, in a paper presented to The Institute of Public Administration.

Invariably there will be budgets for twelve months ahead, but the practice appears to be growing of making financial forecasts for five or even more years ahead.

When the plans envisage substantial expansion of the company, it is probable that capital expenditure will be under consideration and this is discussed in the next section.

Capital Expenditure

As Viscount Chandos has pointed out, the rate of capital expenditure, roughly speaking, governs the rate of growth of a company in relation to the available market.[1]

The proportion of fixed assets varies from one company to another, largely depending on the type of industry. In the three examples already given, the percentage of fixed assets varies between 21 per cent and 44 per cent. Once expended, the cash sunk in fixed assets can rarely be recouped except through the goods produced, so that financial control of capital expenditure is an important function of the board of directors.

Screening Projects

In screening capital expenditure projects, various accounting devices are available. These include:

(1) A profitability statement showing the net profit on the proposed expenditure compared, for example, with the return on present plant and machinery.

(2) A simple pay-off calculation showing the number of years before the capital outlay is recovered. This is found by dividing the capital expenditure by the annual cash gain to be had from the new asset. (Any scrap value of old plant is taken into account, but not interest or taxation.)

(3) A pay-off calculation after allowing for interest and taxation.

(4) The break-even period, being the point at which the annual cash gains from new machines enable the company to be neither better nor worse off, if at that point the new machinery is scrapped and a claim for a taxation balancing allowance is obtained.

Naturally, the greater the projected expenditure, the more detailed will be the chosen method of screening the proposal.

Replacement Costs and Retained Profit

This is not the place to debate the contentious problem as to whether or not depreciation on a replacement cost basis should be charged in the profit and loss account, but there is no doubt that for many companies after the war the cost of plant and machinery greatly exceeded the annual depreciation on the old assets. Where this is so, new machinery will probably be partly financed out of profits retained in the business. Here is one point at which the directors must decide on their financial policy: the greater the dividends paid out, the smaller the balance retained to help finance expansion of fixed assets and also the growth in stocks and debtors arising from increased business.

For example, out of profits of £500,000 a company may be left with only £106,000 or approximately 21 per cent, after paying taxation and dividends. These figures are based on an actual case, and no doubt most other companies would show a similar state of affairs.

Thus financial control of fixed asset expenditure is related to the Board's dividend policy.

Should the annual depreciation and the extra cash which can be found from retained profits be insufficient to finance capital expenditure and cover increases in working capital, or to provide for expansion in general, the board has to consider how best to raise the funds needed.

If expenditure on fixed assets has a short pay-off period, temporary finance may possibly be arranged with the company's bankers, but when the cash is needed for permanent increases in assets, some other source of finance should be found.

When the extra capital is expected to yield a consistent return, some form of loan capital may be the answer as this should provide (after paying interest) an extra support for the dividend on the ordinary share capital. Where, however, the industry may be subject to fluctations in profits from time to time, additional equity capital would prevent any fixed interest burden becoming troublesome in difficult times, while enabling the ordinary shareholders to benefit when business is good.

The Means of Control

Forecasts and plans having been duly prepared, the execution of the budgets for the current year will devolve on management at all levels. It should be noted that budgetary control is not control by accountants, but control by management through budgets and standards. Budgeting requires thinking beforehand – looking ahead – forecasting what may happen and deciding what should happen.

Budgets should be dynamic, not static, and each succeeding year's budgets and standards should embody the results of the previous twelve months' achievements in cost reduction.

Flexible budgetary control is a first-class tool, but – like other tools – is useless unless *used*. Savings and improved productivity are not achieved merely by installing a system; they come through intelligent application of the information presented. Moreover, results are achieved through the agency of human beings, and no tool is a substitute for good management.

The term 'director' is a wide one, for it includes chairmen, managing directors, functional directors, other executive directors and part-time directors. The intention in this paper is to discuss the position of directors in general, for the individual responsibility of each type of director for financial control will vary greatly.

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[1] Viscount Chandos: Foreword to *The Company Director*, by Alfred Read, Jordan & Sons Ltd, London.

In broad terms the director has the following duties:

(1) To ensure that forecasts and plans are made; and that these are translated into annual and short-term budgets, divided according to departmental responsibilities on the basis of a clear cut organization chart.

(2) To ensure that results are reported promptly, by comparison with the budgets, adjusted to allow for changes in volume of output or sales as may be appropriate.

(3) To ensure that the company is properly staffed so that competent persons are available to take action when the results are out of step with the budgets.

(4) To ensure that the organization is kept in balance; that due consideration is given to the factors affecting continuity and vulnerability; and that plans are made for future growth.

Information for Directors

It would take more than one paper to describe fully the type of information and the manner of presentation to directors. Suffice it to say that they will receive summarized results, with explanations of major deviations from budgets along with reports (perhaps verbal) of the action taken or to be taken.

Here it may not be amiss to suggest that there should be a systematic programme for reviewing each aspect of a company's activities; for while summarized profit statements and balance sheets should be available monthly, there may be certain features which do not require such frequent review and where indeed scrutiny at longer intervals is preferable in order the better to see the trend of affairs. Items which by their nature will not change quickly to any great extent need not be looked at often. Similarly, items of small amount should normally be omitted from reports to directors; this seems obvious but is not always put into practice.

While directors will naturally take a very keen interest in the short-term results,they will be concerned with the trend of events to a greater degree than the executive officials of the company. Perhaps one may say that when directors have regard to trends on an annual basis, executives will pay attention to monthly results and monthly trends; and when directors review monthly figures, the executive will be keeping track of events on a weekly (or sometimes daily) basis.

Conclusion

Because at board level, so many aspects of a company's activities are expressed in financial terms, it may well be difficult to detect where the narrower aspects of financial control end and where they merge into broader aspects of policy in general. Perhaps it is not necessary to define the field of financial control too rigidly, but the main conclusion to be drawn is that financial control should, in actual practice, be *exercised* by the board of directors; and that the company should not be left to drift on the sea of commerce, like a ship without a helmsman. Sooner or later such a ship would end up on the rocks, while those companies which are guided by a well-conceived policy of financial control will have every chance of reaching their destination successfully.

Weekly Notes

Scottish Institute's Summer School

THE sixth annual summer school of The Institute of Chartered Accountants of Scotland opened yesterday at St Andrews University and will continue until next Wednesday. Papers are being presented on 'Standard costing', by Mr W. S. Risk, B.COM., C.A., F.C.W.A.; 'Auditing methods and responsibilities', by Mr John A. Stewart, C.A.; 'Electronic computers', by Mr R. Glendinning, M.A., C.A., F.C.W.A.

The President, Mr R. Ian Marshall, B.COM., C.A., last night presided at the opening dinner at which Professor Robert Walmsley, M.D., F.R.C.S.E., F.R.S.E., Master of St Salvator's College, was the guest of honour. After dinner Professor A. D. Campbell, M.A., addressed the members on 'Britain and European free trade'. On Sunday evening, Professor John M. Halliday, M.A., LL.B., will speak on 'Estate duty pitfalls'.

A full report of the summer school, and of the English Institute's summer course which concluded at Oxford last Tuesday, will appear in next week's issue.

Inter-firm Comparisons in the U.K.

A CERTAIN amount of work on inter-firm comparisons has been done in this country and abroad over the last few years but until now no book on the subject has been issued in this country. This omission on what is an exceedingly important management technique has been made good by the publication last week of *Inter-firm Comparisons for*

Management.[1] The publication, which is one in the 'Management Economics Series' of the British Institute of Management, arises out of a number of papers on inter-firm comparisons made possible by financial aid from the Department of Scientific and Industrial Research out of funds derived from United States economic aid. The project has been assisted by a committee of experts under the chairmanship of Professor F. Sewell Bray, F.C.A., and among the five members of which is Professor David Solomons, A.C.A.

Inter-firm comparisons are basically derived from the standard analysis and presentation of certain facts on turnover, costs and so on, contributed by those companies taking part. They enable a concern to compare its own performance against the best, the average and the worst in the industry. In some cases only average figures may be available.

The booklet explains the use and value of inter-firm comparisons and gives six examples of how the technique can be used. These examples include financial and operating ratio comparisons and comparisons of costs of production. The second part of the booklet deals with certain queries which arise in managers' minds when asked to participate in this kind of investigation. There is finally a series of appendices on inter-firm comparisons carried out in various countries, an example of a questionnaire issued to firms taking part in a particular investigation, productivity comparisons from the United States, and a useful bibliography.

Inquiry into Timber Imports

IN February 1957 the Board of Trade asked the Monopolies Commission to report on whether and to what extent the parties concerned have complied with the recommendations in the Commission's report of July 1953 on the supply of imported timber. This is the first reference made so far under Section 12 of the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948. This section provides for inquiry into the extent to which the Commission's recommendations, or those of a competent authority following upon a report by the Commission, have been carried out.

In the 1953 report, the Commission made recommendations about agreements and undertakings by importers and agents in the softwood, hardwood and plywood trades. These agreements laid down that subject to certain exceptions importers would buy only through agents on an approved list and agents would negotiate sales only to concerns on the corresponding list of importers. The Commission consider that these arrangements operated against the public interest and recommended that they should be abrogated and should not be replaced by other arrangements having similar effects.

The Commission in its fact-finding report (H.M. Stationery Office, price 3*s* 6*d*) finds that the arrangements in the three sections of the timber industry referred to were abrogated and that the former agreements relating to plywood have not been replaced by any other arrangements or undertakings having a similar effect. The agreements on hardwood and softwood have been replaced by other arrangements. So far as these two sections are concerned the effects of the arrangements are similar to the former agreements.

Inspector-Workman Relations

A PAPER given by Mr R. M. McKenzie of Edinburgh University to the Psychology Section of the British Association dealt with the relations between the production department and the inspection department in a factory. He pointed out that, as is generally known, relations between these two departments are apt to be less than cordial. The problem may grow more acute since increasingly today inspectors and workmen have to work in close contact.

A frequent accusation is that inspectors are not consistent. A series of experiments suggests that there may be something in this complaint. In these experiments, which covered noise-testing inspection, the surface finish of parts, checking sub-assemblies, 'go/not-go gauging' and marking examination papers, it was found that there were significant variations in the standards set by different inspectors and examiners.

Perhaps the most interesting was a case of examination papers. In this case the level of intelligence of the examiners would be high and it might be expected that their standards would be consistent. The experiment showed not only that standards varied between markers but that in one case at least there was a big variation in the standard set on the same question by the same marker on two different occasions. The two lessons from these experiments are, it is suggested, that the consistency of inspectors is worth checking and that standards of inspection must be clearly laid down.

Building Societies' Interest Rates

CORRECTION

IN a Weekly Note headed 'Building Societies' Interest Rates' in our last issue, reference was made to 'the Alliance' as one of two societies which had reduced their interest rates to borrowers and which, it was stated, were outside the Building Societies Association. The reference was, in fact, intended to apply to the Alliance Perpetual Building Society, and not to the Alliance Building Society which is, of course, a member of the Building Societies Association and has been for many years. We express our apologies to the Alliance Building Society and to Alliance Perpetual for any confusion arising from last week's mis-statement.

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[1] *Inter-firm Comparisons for Management*, by H. Ingham and A. Taylor Harrington, British Institute of Management, 80 Fetter Lane, London, EC4. 17*s* 6*d* net.

Finance and Commerce

John Brown

THE accounts of John Brown & Co Ltd, one of the great names in shipbuilding but with many ther interests, provide this week's reprint. It may urprise many readers to know that Bridges, who nake the electric power tools, is in the John Brown roup. Better known is the company's interest in Cravens Ltd (rolling stock and engineering products) nd in Westland Aircraft.

An important point with which Lord Aberconway, e chairman, deals in his statement is the company's olicy of leaving in the accounts of the subsidiaries substantial proportion of their earnings. This is he main reason, he points out, why the value of the ompany's interest in the subsidiaries increases early while the figure at which that value is shown in he company's own balance sheet is not thereby hanged.

The growing difference, he says, is now no less han £4,788,000 between the company's interest in he net assets of subsidiaries, as shown by the onsolidated balance sheet, and the figures at which he company shows that interest in its own balance heet.

[illegible] is after an exceptional item this year of [illegible]o representing the excess of the sale price [illegible]e book value of the fixed assets involved in the ale by Wickman Ltd of its machine tool manufacturing business to a subsidiary.

Lord Aberconway also notes the rise in the figure or investments in subsidiaries with further cash ubscriptions for subsidiaries' shares.

Wear and Tear

Another point of accounting interest is Lord Aberconway's plea for wear and tear allowances based on ome form of index system. He acknowledges this ear's extension of initial allowances which 'eases omewhat the immediate tax burden suffered by nterprises faced, as are all the subsidiaries of the ompany, with the necessity regularly to replace heir equipment with the very best'.

But initial allowances, he points out, only bring orward to an earlier stage in the life of a new [illegible]chine, the incidence of wear and tear allowances; [illegible]ey do nothing to help industrialists to solve the roblem of how to put aside out of profits, in view of grievously heavy taxation, enough to replace old lant with more expensive new equipment.

It would have been more helpful, he continues, if

JOHN BROWN AND COMPANY LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET, 31st MARCH, 1958

	£	£	1957 £	1957 £
CAPITAL, RESERVES AND UNDISTRIBUTED PROFITS:				
Capital of John Brown and Company Limited ..		11,598,524		*11,598,524*
Capital Reserves: (Note 1)				
Share Premium	114,743		*114,743*	
General	3,329,120		*2,478,949*	
		3,443,863		2,593,692
Revenue Reserves (Note 2)	3,337,506		*3,124,603*	
Undistributed Profits	3,363,643		*3,174,093*	
		6,701,149		*6,298,696*
INTEREST OF THE STOCKHOLDERS OF JOHN BROWN AND COMPANY LIMITED		21,743,536		*20,490,912*
INTEREST OF OTHER SHAREHOLDERS IN SUBSIDIARY COMPANIES:				
Preference Capital (Note 11)	1,200,000		*1,200,000*	
Ordinary Capital and Proportion of Reserves ..	380,389		*372,550*	
		1,580,389		*1,572,550*
FUTURE UNITED KINGDOM TAXATION— Including Income Tax 1958/59		1,700,392		*1,497,603*
CURRENT LIABILITIES:				
Creditors and Accrued Expenses	6,470,628		*4,936,715*	
Current Taxation	732,586		*1,104,161*	
Dividends of other Shareholders in Subsidiary Companies	38,657		*43,243*	
Proposed Dividend (net) of John Brown and Company Limited	316,766		*306,054*	
		7,558,637		*6,390,173*
		£32,582,954		*£29,951,238*

		£	£	1957 £	1957 £
FIXED ASSETS: (Note 4)					
Freehold and Leasehold Lands, Buildings, Plant and Machinery		13,822,740		*11,302,157*	
Deduct: Depreciation		4,602,990		*3,832,103*	
			9,219,750		*7,470,054*
Goodwill, Patents and Licences			2,050,739		*2,043,479*
			11,270,489		*9,513,533*
INVESTMENTS AND LOANS: (Note 3)					
Trade Investments:					
Unquoted Shares		940,817		*892,903*	
Quoted Shares (Market Value *£1,402,142, £1,352,751*)		970,462		*970,462*	
Loans		118,000		*226,000*	
		2,029,279		*2,089,365*	
British Government Securities (Market Value £452,172, *£464,038*)		541,161		*541,161*	
Shares in Subsidiary Company not consolidated ..		—		*500,000*	
			2,570,440		*3,130,526*
CURRENT ASSETS:					
Stocks and Work in Progress		22,485,115		*20,029,207*	
Less: Instalments on account of Work in Progress		11,624,656		*10,462,755*	
		10,860,459		*9,566,452*	
Debtors and Prepayments		6,076,089		*5,480,333*	
Amount owing by Subsidiary Company not consolidated		—		*49,650*	
Tax Reserve Certificates		265,000		*181,675*	
Short term Loans to Local Authorities		300,000		*500,000*	
Treasury Bills		78,766		*392,882*	
Cash at Banks and in hand	2,350,084				
Less: Bank Advances to Subsidiaries	1,188,373				
		1,161,711		*1,136,187*	
			18,742,025		*17,307,179*
			£32,582,954		*£29,951,238*

ABERCONWAY,
S. W. RAWSON, } *Directors.*

the Chancellor had restored investment allowances on industrial plant; their introduction, he says, was a step forward and their abolition a step backwards. Investment allowances did permit, in respect of new plant, the owner to set aside during its life, before taxation, a sum towards its replacement greater than the original cost. Even so, the allowance being an arbitrary percentage with no provision for adjustment, the increased sum may or may not prove sufficient to provide in due course for the replacement of the plant.

The Real Need

It should not be beyond the wit of man, Lord Aberconway declares, to devise some reasonable index whereby, over the life of a piece of equipment, sufficient and no more could be set aside by way of wear and tear allowance to provide its owner with the full means of replacing it. According to the measure of inflation or deflation during its life, so would the owner at the end have been allowed to set aside before taxation proportionately more or less than its original cost.

But the real need, Lord Aberconway adds, is for existing plant to be the subject of fair and proper depreciation allowances based on replacement, not original, cost. Initial allowances and investment allowances, he says, apply only to new plant but the system he outlines could readily be adapted to existing plant.

Lord Aberconway feels that if there were less tacit acceptance of the definition of profits at the balance after setting aside enough towards recovery of original cost of plant, the need for a more appropriate system of depreciation allowances would be more widely recognized. And, he says, the provision on a replacement basis should be a joint affair; the Chancellor contributing by a remission of tax and the owner contributing from profit. If wear and tear allowances for tax purposes, he says, could be more adequate, industrialists would not object to a corresponding obligation upon them to set aside towards cost of replacement the relevant amount of profit as well as the tax relief.

The problem of depreciation allowances is currently of considerable concern to John Brown's customers in the shipping industry and to them Lord Aberconway pays a tribute. He congratulates them on 'the robustness of their long-term view'. The shipping slump has led to some re-arrangement of new building orders placed with John Brown's Clydebank yard but Lord Aberconway reports that, despite the shipping industry's difficult times, only a very small proportion of contracts placed in British yards has been cancelled.

Next Week's Reprint

The accounts of Davy and United Engineering Co Ltd will provide the reprint in next week's issue.

JOHN BROWN AND COMPANY LIMITED

BALANCE SHEET, 31st MARCH, 1958

	£	£	1957 £	1957 £
CAPITAL, RESERVES AND UNDISTRIBUTED PROFITS:				
Capital:	Authorised	Issued	*Authorised*	*Issued*
4½% Cumulative Preference Stock in units of £1 each	2,416,915	2,416,915	*2,416,915*	*2,416,915*
Ordinary Stock in units of £1 each	9,181,609	9,181,609	*9,181,609*	*9,181,609*
Ordinary Shares of £1 each	3,401,476	—	*3,401,476*	—
	£15,000,000	11,598,524	*£15,000,000*	*11,598,524*
Capital Reserves: (Note 1)				
Share Premium	114,743		*114,743*	
General	1,649,892		*1,630,266*	
		1,764,635		*1,745,009*
Revenue Reserve	1,710,000		*1,710,000*	
Undistributed Profits	1,882,201		*1,626,868*	
		3,592,201		*3,336,868*
		16,955,360		*16,680,401*
CURRENT LIABILITIES:				
Creditors and Accrued Expenses	71,647		*14,952*	
Current Taxation	98,604		*19,893*	
Proposed Dividend (net)	316,766		*306,054*	
		487,017		*340,899*
		£17,442,377		*21,300*

	£	£	1957 £	1957 £
FIXED ASSETS:				
Freehold and Leasehold Land and Buildings, at cost	86,371		*86,371*	
Deduct: Depreciation	16,500		*13,710*	
		69,871		*72,661*
INVESTMENTS AND LOANS: (Note 3)				
Subsidiary Companies:				
Shares	13,443,410		*12,549,886*	
Loans	250,000		*100,000*	
		13,693,410		*12,649,886*
Trade Investments:				
Unquoted Shares	872,500		*831,001*	
Quoted Shares (Market Value £1,400,000, *£1,350,000*)	968,200		*968,200*	
Loans	118,000		*226,000*	
		1,958,700		*2,025,201*
British Government Securities (Market Value £452,172, *£464,038*)		541,161		*541,161*
		16,263,142		*15,288,909*
CURRENT ASSETS:				
Amounts owing by Subsidiary Companies, including dividends receivable	615,056		*710,824*	
Debtors	16,455		*17,827*	
Tax Reserve Certificates	125,000		—	
Short term Loans to Local Authorities	300,000		*500,000*	
Cash at Banks and in hand	122,724		*503,740*	
		1,179,235		*1,732,391*
		£17,442,377		*7,021,300*

ABERCONWAY,
S. W. RAWSON, } *Directors.*

JOHN BROWN AND COMPANY LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1958

				1957	
		£	£	£	£
BALANCE FROM TRADING ACCOUNT, after deducting depreciation of £931,706 (last year £758,964)			3,184,225		*3,126,441*
Income from Investments:					
Trade		31,889		*24,640*	
Quoted		104,574		*65,408*	
British Government Securities		15,694	152,157	*15,694*	*105,742*
PROFIT BEFORE TAXATION			3,336,382		*3,232,183*
Taxation on current profit:					
United Kingdom Profits Tax		388,673		*398,646*	
United Kingdom Income Tax		1,284,382		*1,211,278*	
Dominion Taxes		271,367	1,944,422	*274,721*	*1,884,645*
PROFIT FOR THE YEAR AFTER TAXATION			1,391,960		*1,347,538*
Add: Provision for taxation no longer required ..		135,000		*156,000*	
Adjustment arising from transfer to Capital Account of expenditure charged in previous years, less taxation thereon		—	135,000	*108,040*	*264,040*
			1,526,960		*1,611,578*
Deduct: Profit of subsidiaries attributable to other shareholders therein			86,472		*83,285*
PROFIT ATTRIBUTABLE TO JOHN BROWN AND COMPANY LIMITED			1,440,488		*1,528,293*
Add:					
Balance brought forward at 31st March, 1957:					
John Brown and Company Limited ..		1,626,868		*1,404,112*	
Subsidiary Companies ..	£1,547,225				
Less: Amounts capitalised and applied in issuing shares	376,031	1,171,194	2,798,062	*1,104,112*	*2,508,224*
			4,238,550		*4,036,517*
Deduct: Transfers to revenue reserves by subsidiaries		124,167		*343,059*	
Debit balance on profit and loss account of newly consolidated subsidiary at date of acquisition		160,259	284,426	—	*343,059*
			3,954,124		*3,693,458*
Deduct:					
Dividends paid and recommended:					
Preference Stock		62,538		*62,538*	
Ordinary Stock		527,943	590,481	*456,827*	*519,365*
BALANCE CARRIED FORWARD AT 31st MARCH, 1958:					
John Brown and Company Limited		1,882,201		*1,626,868*	
Subsidiary Companies		1,481,442		*1,547,225*	
			£3,363,643		*£3,174,093*

JOHN BROWN AND COMPANY LIMITED AND SUBSIDIARY COMPANIES

NOTES ON THE ACCOUNTS—31st MARCH, 1958

1. Capital Reserve:

	The Company	The Company and its subsidiaries
	£	£
General		
Balance at 31st March, 1957	1,630,266	2,478,949
Add:		
Surplus on sale of fixed assets by one subsidiary to another ..	—	486,414
Amounts applied from profit and loss accounts in the issue of shares by subsidiary companies	—	376,031
Surplus on realisation of investments	19,626	19,626
	1,649,892	3,361,020
Deduct:		
Exchange differences and sundry debits	—	31,900
Balance at 31st March, 1958	£1,649,892	£3,329,120

2. The increase in the Consolidated Revenue Reserves of £212,903 arises from (*a*) appropriations of profits of £124,167, (*b*) surplus on sale of consumable tools to a subsidiary, £44,147, and (c) depreciation of £44,589 on fixed assets sold to a subsidiary during the year.

3. The Shares in Subsidiary Companies and Trade Investments are as valued by the Directors in 1930 or at cost. Loans and British Government Securities are valued at cost.

4. Fixed Assets, before depreciation, are stated at cost, or at net book value at 31st March, 1948, with subsequent additions at cost, except:—
   (a) assets sold to subsidiary companies after 31st March, 1948, which are at the written down value or at an independent valuation at the date of sale, with subsequent additions at cost, and
   (b) assets of one subsidiary, which are at the Directors' valuation in 1955, with subsequent additions at cost.

5. There are the following contingent liabilities:—

	The Company	The Company and its subsidiaries
	£	£
Indemnities and guarantees	453,267	599,366
Bills discounted	—	1,279,070
Partly-paid shares	45,000	45,000
Total at 31st March, 1958	£498,267	£1,923,436
Total at 31st March, 1957	£458,567	£502,252

6. The approximate commitments in respect of capital expenditure of the Company and its subsidiaries are £720,000 (1957—£1,345,000).

7. The remuneration of the Directors of the Company for the year amounted to £55,372, made up of £9,612 for fees and £45,760 for management services and pension premiums. In addition, £5,550 has been charged in respect of former executive Directors.

8. Overseas assets and liabilities have been converted into sterling at the official rates of exchange at 31st March, 1958.

9. The consolidated accounts include those of certain overseas subsidiary companies, and one home subsidiary with overseas interests, whose financial years ended either on 31st December, 1957, or on 31st January, 1958, and to avoid delay in presenting the Company's accounts it was decided not to alter these dates.

10. The consolidated profit and loss account includes the profit of Constructors John Brown Limited, which became a subsidiary company on the 5th February, 1957, for the period from that date to 31st December, 1957, the end of its financial year.

11. The 700,000 4% Cumulative Redeemable Preference Shares of £1 each, fully paid, of a subsidiary company, Wickman Limited, are redeemable at 21s. per share. The latest date for redemption is 30th November, 1998, but the company may redeem the issue in whole or in part on or after 1st December, 1968. None of these shares is held by John Brown and Company Limited.

CITY NOTES

FAR Eastern uncertainties have made for quieter stock-markets this past week and while speculative activity has put a veneer of steadiness on quotations the undertone has not been particularly impressive.

The view is being taken that the market may now see a period of consolidation rather than a fresh advance in prices. The cautious tone sounded in many company statements is in contrast to the 're-expansion boom' atmosphere created in some investment quarters.

One reassuring fact, however, is the continued improvement in the gold and dollar reserve position and the strength of sterling in the foreign exchange market. All this is vastly different from the conditions ruling a year ago when sterling needed 7 per cent Bank rate protection as well as an almost complete clamping down of credit restrictions.

In the investment field one of the outstanding features continues to be the strong flow of money towards Post Office Savings. The assumption that another Bank rate cut might result in the withdrawal of the current series of National Savings Certificates and Defence Bonds has brought strong investment demand.

Meanwhile the gilt-edged market has shown a tendency to move out of its recent period of consolidation but the knowledge that a number of county and corporation loans are ready for launching tends to keep investment demand in check.

On the London Metal Exchange the price of tin which rallied sharply following news of the curtailment of Russian tin imports has again fallen to below the support price of £730 a ton.

Russia is known to be in a position to export tin in quantity and the tin control scheme is likely to be put to a severe test in the immediate future.

RATES AND PRICES

Closing prices, Wednesday, September 10th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

July 4	£4 3*s* 5·23*d*%	Aug. 8	£3 17*s* 3·63*d*%
July 11	£4 0*s* 3·79*d*%	Aug. 15	£3 14*s* 5·00*d*%
July 18	£4 4*s* 11·39*d*%	Aug. 22	£3 14*s* 6·25*d*%
July 25	£4 3*s* 2·26*d*%	Aug. 29	£3 15*s* 2·47*d*%
Aug. 1	£4 0*s* 2·49*d*%	Sept. 5	£3 14*s* 0·93*d*%

Money Rates

Day to day	2¾–3¼%	*Bank Bills*	
7 days	3 –3⅛%	2 months	3 13/16–3⅞%
Fine Trade Bills		3 months	3 13/16–3⅞%
3 months	4½–5¼%	4 months	3 13/16–3⅞%
4 months	4½–5¼%	6 months	3 13/16–3 15/16%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 3/16–¼	Frankfurt	11·69⅝–⅞
Montreal	2·75 3/16–5/16	Milan	1737¼–¾
Amsterdam	10·56⅛–¼	Oslo	19·99⅞–20
Brussels	138·97½–·99	Paris	1174½–⅞
Copenhagen	19·33⅝–⅞	Zurich	12·20 –⅛

Gilt-edged

Consols 2½%	51⅛xd	Funding 4% 60–90	88½
Consols 4%	75	Savings 2½% 64–67	82⅛
War Loan 3½%	68¼	Savings 3% 55–65	89
Conversion 3½%	67xd	Savings 3% 60–70	78½
Conversion 3½% 1969	85½	Savings 3% 65–75	73 1/16
Excheq'r 5½% 1966	101⅛xd	Treasury 2½%	49¾
Funding 3% 66–68	82¼	Treasury 3½% 77–80	76⅛
Funding 3% 59–69	80⅝xd	Treasury 3½% 79–81	75½
Funding 3½% 99–04	73½	Victory 4%	93½

Reviews

Bid for Power

by George Bull and Anthony Vice. (Elek Books Ltd, 14 Gt. James St, London, WC1. 25*s* net.)

That take-over bids have dramatic possibilities is currently being demonstrated each evening at the Westminster Theatre.[1] Now two able City journalists have written an absorbing account of how such financial phenomena are planned and carried out. Much of their narrative is devoted to describing in detail a selection of the more celebrated cases in recent years and the book ends with a 'do-it-yourself' chapter which all right-minded readers will regard as cautionary rather than as provocative.

The authors' main concern throughout is with the mechanics of the various manoeuvres. They do not attempt either to defend or to censure the ethics of those engaged in them, believing that the propriety or otherwise of each instance must be judged in the light of the individual circumstances which attended it. One positive assertion they do make, however, and that is that the present resurgence of the take-over bid (which is as old as the limited liability company itself) is symptomatic of the changes which are taking place in the structure of the country's industrial economy. In business as in boxing, a good big 'un is generally better than a good little 'un, and the present-day trend of integration and centralization means that the smaller concern, in order to survive, must be much more than ordinarily efficient. To the extent that he has preserved the best and jettisoned the worst characteristics of the businesses which otherwise might have succumbed had he not incorporated them in his empire, the take-over merchant is to be commended. If, on the other hand, the transaction is one by which he personally becomes enriched without adding anything to the wealth potential of the community, he may very well stand condemned. For the urban moralist who wishes to draw his own conclusions from recent happenings in high finance, the facts are fully and impartially presented in this attractively written and, in parts, exciting book.

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[1] *Any Other Business*, by George Ross and Campbell Singer.

Index to Reports of Tax Cases, Volumes 1–35, 1875–1955

prepared by Butterworth's Legal Editorial Staff. (Butterworth & Co (Publishers) Ltd, London. 50*s* net.)

The Stationery Office series of tax cases reports is an excellent one and it is strange that hitherto there has been no index to it, although it now covers over thirty-six volumes. Butterworth's have now all but closed the gap with the present index covering the first thirty-five volumes published during the period 1875 to 1955.

The new book contains two separate and distinct alphabetical indexes. One is of the names of the cases and shows the relevant volume and page number in the series. It postulates that the person using the index can remember the name of the party first mentioned, i.e. normally the appellant; it will not be sufficient to remember (as one so often does) only the name of the respondent. Where one of the parties was an Inspector or Surveyor of Taxes, this fact is stated in full, in brackets after his name. This practice adds considerably to the length of the first index; it would seem preferable to use some kind of abbreviation, or even merely to show an inspector or surveyor's name in a distinctive type.

The longer and more important part is the subject index, each heading being subdivided into a number of sub-headings. Each sub-heading is followed by the name of the appropriate case in the thirty-five volumes, with the volume number in bold and the page number in ordinary type. Cases which have been overruled or negatived by subsequent legislation are not excluded, although of course the fact of such overruling etc. is duly noted. As the preface to the index rightly says, these cases may still be of value. Cases relating to obsolete duties like inhabited house duty are not included.

The value of such an index, particularly to a practitioner who has access only to the official *Tax Cases*, need hardly be stressed.

SHORTER NOTICES

Jordan's Income Tax Guide, 1958–59. Twenty-eighth Edition, compiled by Charles W. Chivers. (Jordan & Sons Ltd, London. 2*s* 6*d* net.) This handy little 52-page booklet gives a brief and readable synopsis of the income tax provisions as they affect the ordinary individual. Examples set out very clearly the provisions for personal allowances and P.A.Y.E. The new Schedule E expenses allowance for professional subscriptions is not mentioned, no doubt because of its restricted scope.

Phillips' Probate and Estate Duty Practice. First Supplement to Fifth Edition by D. C. Sealy-Jones, LL.M. (The Solicitors' Law Stationery Society Ltd, London. 5*s* net.) This 34-page supplement brings the main work up to March 31st, 1958, and includes a new statutory instrument on costs and two specimen bills of costs. There is a most useful family tree explaining clearly the mysteries of such relationships as 'great uncle once removed' and 'cousin-german of the whole blood once removed'. Recent cases are duly noted, as well as various minor changes of practice.

Handbook of Company Forms by C. C. Sutaria, F.A.I.A., F.C.C.S.(LOND.), A.C.I.S. (The Institute of Secretaries, Bombay. 7*s* 6*d* net; postage 1*s* 6*d* extra.) The Indian Companies Act, of 1956 is, as the author says, a long and complex piece of legislation. This handbook, which is intended to help secretaries, reproduces the forms and also gives detailed instructions as to their completion.

RECENT PUBLICATIONS

Classics in the Theory of Public Finance, edited by Richard A. Musgrave and Alan T. Peacock. xix+244 pp. 10½×7. 30*s* net. International Economic Association, Macmillan & Co Ltd, London.

Oyez Table No. 2: Legal Costs on a Sale of Land, fifth edition. 3*s* net.; Oyez Table No. 3: Legal Costs on the Grant of a Lease, third edition. 2*s* net.; Oyez Table No. 6: Ad Valorem Stamp Duties, fourth edition. 2*s* 6*d* net. The Solicitors' Law Stationery Society Ltd, London.

A New Prospect of Economics. An introductory textbook by members of the staff of the departments of economics in the University of Liverpool, under the chairmanship of Francis E. Hyde, edited by G. L. S. Shackle. xiv+498 pp. 9×6. 30*s* net. Liverpool University Press.

Economic Arithmetic, by Robin Marris. xvii+349 pp. 9×6. 28*s* net. Macmillan & Co Ltd, London.

What Every Taxpayer Should Know About Income Tax, third edition, by David Shrand, M.COM., A.S.A.A., C.A.(S.A.). 82 pp. 8½×5½. 11*s* post free. Legal & Financial Publishing Co, P.O. Box 3461, Cape Town.

Income Tax and Company Law in South West Africa, by David Shrand, M.COM., A.S.A.A., C.A.(S.A.) and E. Zwarenstein, C.A.(S.A.)(HONS.). vii×254 pp. 9×6. 37*s* 6*d* post free. Legal & Financial Publishing Co, P.O. Box 3461, Cape Town.

Business Enterprise, its Growth and Organization, by Ronald S. Edwards and Harry Townsend. xvii+607 pp. 9×6. 60*s* net. Macmillan & Co Ltd, London.

The Recession in Farm Profits in South East England, A study of success and failure in the business of farming in Kent, Surrey and Sussex since 1955, by J. D. Sykes. Farm Management Survey Report No. VIII. 28 pp. 10×7½. 4*s* net post free, from the Secretary, Wye College, Ashford, Kent.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Terminology Criticisms

SIR, – This correspondence has branched into a wider field than that of the alternative merits of 'ended' or 'ending', and it is encouraging to see that members of the profession are taking an interest in the fine art of composition. I fully agree with Mr H. I. Langford (September 6th issue) in his objections to 'the above balance sheet'. In some circles this might possibly lead to confusion of interpretation; could it mean 'above-mentioned' or 'that which is above'? One can envisage circumstances, remotely, where this might be of importance.

All this leads me to hope that our professional reports and correspondence may one day give, not only the information intended, but also an aesthetic pleasure to the student of English; and that we may see the end of 'ult.', 'inst.' and 'prox.' which offend against a number of the tenets propounded by Fowler the Great, not the least of which is that very elusive, but essential, 'rhythm'.

On the same subject, almost, is the letter of 'Disciple of Sir Ernest Gowers', who raises a delightful picture under the heading of 'A Symposium'. I would value the opportunity of witnessing a number of business computers feasting together merrily. I will leave the compilation of a suitable menu to another correspondent.

Yours faithfully,
London, N10. BENSON F. CATT, A.C.A.

Audit Policy Point

SIR, – With reference to 'Laocoon's' letter in your issue of August 16th, he says that his criticisms were in general terms as an indication of what he regarded as weaknesses in the system rather than a critical analysis of it.

Weaknesses of system often exist irrespective of the degree of co-operation offered by those responsible for carrying out departmental or sectional duties and an auditor's report sometimes must and may quite justifiably amount to a critical analysis in order than an audit shall be thorough.

The branch of work undertaken by the employee in question might have borne features neither in common with nor similar to those of other sections, a point which, in fairness, I suggest should be dealt with, especially since the auditor now acknowledges that his criticism was overstated.

Although the auditor's report quite properly goes to the head of the department, it does not seem enough to say that if the head is satisfied no further action is necessary, for his view may be too limited or ineffective. Supposing, however, unknown to the auditor he feels dissatisfied, might he not, with the auditor's remarks in his mind, continue to upbraid the particular employee for something which may not be entirely the employee's fault or responsibility under a system or procedure which others have perhaps been paid to formulate or determine?

In either event an auditor, conscious of having over-reached himself, could not fail to inspire all concerned with the best of principles and would be setting a high example to all engaged in business and the professions, if he faced the man concerned and gave an appropriate apology to employer and employee, of course, with suggestions for rectifying deficient methods.

Yours truly,
East Molesey, Surrey. WILLIAM NEWTON, A.C.C.S.

Present-day Salaries

SIR, – With reference to the article in your issue of August 30th on 'Present-day Salaries', on page 244 in Table I, the salaries of local government officers in the 'higher general division' are given as £620 per annum at the age of 30. I would like to point out that this salary scale only applies to officers employed in a comparatively small number of authorities, namely, those in areas where there is a particular shortage of clerical staff, and can be reduced to the normal scale of £560 per annum, if these conditions change.

This latter scale applies to the rest of England and Wales. £620 a year represented, when reduced to its 1946 equivalent, what the local government employers then considered a fair remuneration for the majority of their clerical staffs, but which, of course, has not been maintained at the same level since then.

Yours faithfully,
Sunderland. JOHN WALKER.

[The National Joint Council of local authorities' clerical, etc. staff's scheme of conditions of service shows that the ordinary maximum of the higher general division scale of salaries is £560, but that employing authorities have a discretion to extend the scale to £620. – Editor.]

The Profession in America

SIR, – The 'Letter from America' (September 6th issue) written by an articled clerk who is spending six months of his articles in the United States and is in receipt of a salary of £1,500 per annum, does make one wonder why the accountancy profession is rated so highly in the United States.

Is it due to the fact that one or two institutes abroad have active public relations departments which publish pamphlets advising other professional bodies and the business public generally of the services the modern professional accountant has to offer? Moreover, progressive training programmes along management accountancy lines are pursued and clients have the advantage not only of being told, but also perceiving, that their accountants' advice is adding materially to their business assets. Hence high fees and higher salaries.

Yours faithfully,

Purley, Surrey. R. SIMS.

Two in Harmony?

SIR, – The letter from Mr N. I. Roberts, in your issue of August 30th, reminds me that at the time of the armistice in November 1918 there was an official booklet at a certain general headquarters, classifying the troops in the relevant expeditionary force as to occupation in civil life, the object being to provide statistics which would ensure that priority in repatriation and in demobilization would be given to those who would be most useful to the country in the immediate post-war period. Each man was given a code number – Code 1 being top priority.

The year 1918 is a long time ago, and one's memory dims, but my recollection is that Code 38 included two separate occupations, bracketed together, thus:

38. Accountants – Chartered
,, – Turf

Yours faithfully,

ACCOUNTANT – CHARTERED.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

ORDINARY MEETING OF THE COUNCIL

At a meeting of the Council held on Wednesday, September 3rd, 1958, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr W. L. Barrows, President, in the chair; Mr C. U. Peat, M.C., Vice-President; Messrs H. Garton Ash, O.B.E., M.C., C. P. Barrowcliff, H. A. Benson, C.B.E., J. Blakey, W. G. Densem, J. Godfrey, P. F. Granger, D. V. House, W. H. Lawson, C.B.E., H. L. Layton, M.S.M., S. J. Pears, Sir Thomas Robson, M.B.E., Messrs J. E. Talbot, G. L. C. Touche, E. F. G. Whinney, Sir Richard Yeabsley, C.B.E., with the Secretary and an Assistant Secretary.

Members Commencing to Practice

The Council received notice that the following members had commenced to practise:

Allen, Sydney Arthur; A.C.A., 1958; (S. 1934); Broad Street House, Old Broad Street, London, EC2.

Bacon, David Michael; A.C.A., 1958; (S. 1957); (F. F. Sharles & Co), Portland House, 4 Great Portland Street, London, W1.

Baker, John Raymond; A.C.A., 1955; (Baker, Sutton & Co), Eldon Street House, Eldon Street, EC2.

Barrett, Rex William Norman; A.C.A., 1951; (Charles Comins & Co), 50 Cannon Street, London, EC4, and at Framlingham.

Bartlett, Ronald Percy; A.C.A., 1951; (†Bishop, Fleming & Co), 42 Palace Avenue, Paignton, and at Dartmouth.

Cain, Francis Thomas; A.C.A., 1958; (S. 1940); (Bristow, Sturge, Roberts, White & Co), 9 Harley Street, London, W1.

Cook, Ronald Frank; A.C.A., 1952; (Marshall, Hoare & Chandler), 8 Lefebvre Street, St Peter Port, Guernsey, Channel Islands.

Foulger, Norman; A.C.A., 1955; (W. J. Gilbert & Co), 61 Fore Street, Moorgate, London, EC2, and at Luton and St Albans.

Grundy, Harry; A.C.A., 1958; (S. 1952); (Farmiloe & Co), Prudential Buildings, St Philip's Place, Birmingham, 3.

Hallett, Roy Graham; A.C.A., 1954; (Barnes, Freeman & Co), 22 London Road North, Lowestoft.

Harris, Reginald William; A.C.A., 1958; (S. 1934); (Dixon, Hopkinson & Co), Bank Chambers, 313 High Street, West Bromwich.

Melhuish, Peter John; A.C.A., 1958; (S. 1957); (Randall & Co), 98 Park Lane, London, W1.

Messias, David; A.C.A., 1958; (Messias & Co), 8 Northdene Gardens, London, N15, and 14 Queen Victoria Street, London, EC4.

Mortimer, Edward Anthony; A.C.A., 1956; 100 Alfreton Road, Nottingham.

Moss, Clive Maurice; A.C.A., 1954; (Lord, Foster & Co), Rex House, 38 King William Street, London, EC4.

Newman, Frank Richard; A.C.A., 1957; (S. E. Newman & Co), and (Newman & Newman), 408 Strand, London, WC2.

Owen, Albert Stanley; A.C.A., 1958; (S. 1949); (J. S. W. Bunard & Co), 56 Queen Square, Bristol, 1.

Owen, Edward John; A.C.A., 1957; (Thornton, Davison & Co), 19 The Parade, Leamington Spa.

Pizzey, Jesse; A.C.A., 1939; (W. J. Gilbert & Co), 61 Fore Street, Moorgate, London, EC2, and at Luton and St Albans.

Smith, Ronald William; A.C.A., 1958; (S. 1939); (Kenneth Porter and Ronald Smith), 18 Dryden Court, Parkleys, Ham, Richmond, Surrey.

Watts, Donald; A.C.A., 1951; (W. J. Gilbert & Co), 61 Fore Street, Moorgate, London, EC2, and at Luton and St Albans.

Wilson, Frank Brian; A.C.A., 1956; (Thornton, Davison & Co), 19 The Parade, Leamington Spa.

Elections to Fellowship

The following were elected to fellowship:

Allen, Sydney Arthur; A.C.A., 1958; (S. 1934); Broad Street House, Old Broad Street, London, EC2.

Jayson, Joseph Henry, B.SC.; A.C.A., 1953; (Jayson, Arnold & Fowell), Stratford Mansions, 34 South Molton Street, London, W1.

Lister, George Edwin; A.C.A., 1937; (Wheawill & Sudworth), 35 Westgate, Huddersfield, and at Leeds and London.

Lucking, Dennis James, M.A.; A.C.A., 1940; (C. J. Lucking & Co), 34 Market Place, Long Eaton, Derby.

Miller, Claude Cecil, B.COM.; A.C.A., 1933; 14 Howick Place, London, SW1; also at Ottawa and Toronto (*Crawley, Miller & Co).

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§ means 'incorporated accountant member'.

¶ means 'in practice'.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

Firms not marked † or * are composed wholly of members of the Institute.

Newman, Harry; A.C.A., 1927; (Bernard Phillips & Co), 76 New Cavendish Street, London, W1.

Niyogi, Premanjan, B.SC., B.COM.; A.C.A., 1948; (Lovelock & Lewes), 4 Lyons Range, Calcutta, and at Madras.

Pearson, Donald; A.C.A., 1948; (Theodore B. Jones & Co), St Andrew's Chambers, 21 Park Row, Leeds, 1.

Spurway, Paul Francis, M.A.; A.C.A., 1953; (R. H. March, Son & Co), Baltic House, Mount Stuart Square, Cardiff, and at London.

Warrington, George Donald, B.SC., B.SC.(ECON.); A.C.A., 1933; (Wheawill & Sudworth), 35 Westgate, Huddersfield, and at Leeds and London.

Admissions to Membership

The following were admitted to membership of the Institute:

Aarons, Stanley; A.C.A., 1958; with David Clayton & Co, 18 St George Street, Hanover Square, London, W1.

Abbott, John; A.C.A., 1958; 47 Rolle Street, Exmouth, Devon.

Abd El-Motaal, Mostafa Hamdy Bahgat, M.COM.; A.C.A., 1958; Flat 6, Ormonde Mansions, 100A Southampton Row, London, WC1.

Ablett, John Robert; A.C.A., 1958; 27 Woodland Drive, Anlaby, near Hull.

Abrahams, Alan; A.C.A., 1958; 8 Portland Avenue, Stamford Hill, London, N16.

Addy, Brian Alfred; A.C.A., 1958; 100A King Street, Dukinfield, Cheshire.

Ahern, Edward George; A.C.A., 1958; 17 Glenmore Road, Welling, Kent.

Aindow, Peter Gerard, B.COM.; A.C.A., 1958; with R. F. Frazer & Co, 265 Martins Bank Buildings, Water Street, Liverpool, 2.

§Alcock, James Alfred; A.S.A.A., 1958; with Baker & Co, Castilian Chambers, Castilian Street, Northampton.

Aldred, Douglas Joseph; A.C.A., 1958; 49 Carr Road, Edlington, Doncaster, Yorkshire.

Alexander, Bernard, B.COM., A.C.A., 1958; with Fairbairn, Wingfield & Wykes, 67 Watling Street, London, EC4.

Allen, Anthony Russell; A.C.A., 1958; with Southwell, Tyrrell & Co, 3 Laurence Pountney Hill, Cannon Street, London, EC4.

Amos, Anthony Ridley; A.C.A., 1958; Old Court House, Limpsfield, Surrey.

Anderson, Alan John; A.C.A., 1958; with West & Drake, Sardinia House, 52 Lincoln's Inn Fields, London, WC2.

Anderson, George; A.C.A., 1958; 3 Belper Place, Grace Road, Sparkbrook, Birmingham, 11.

Andrews, Brian; A.C.A., 1958; 80 Ringwood Avenue, Croydon, Surrey.

Andrews, Brian Samuel; A.C.A., 1958; 184 Merridale Street West, Wolverhampton.

Ankers, Terence Michael; A.C.A., 1958; 118 Fennycroft Road, Hemel Hempstead, Herts.

Appleby, Alan Roderick; A.C.A., 1958; 35 Hawthorn Terrace, New Earswick, York.

Armstrong, James Sydney; A.C.A., 1958; 8 Aubone Avenue, Pendower, Newcastle upon Tyne, 5.

Arnold, Gerald Frederick; A.C.A., 1958; c/o Simkin, Arnold & Strange, Kingsway Chambers, 4 New Walk, Leicester.

Arnold, Raymond Terry; A.C.A., 1958; with E. A. Shock & Co, 67–68 Jermyn Street, London, SW1.

Arnold, William Desmond; A.C.A., 1958; c/o City Treasury, Plymouth.

Ascough, Ian Johnson; A.C.A., 1958; 37 Stechford Road, Birmingham, 34.

Ash, Edward Barry; A.C.A., 1958; 56 Eltham Hill, Eltham, London, SE9.

Ashton, Peter Woodhouse; A.C.A., 1958; 479 Livesey Branch Road, Cherry Tree, Blackburn, Lancs.

Aslett, Albert Edward; A.C.A., 1958; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.

Aspin, Geoffrey; A.C.A., 1958; 33 Newstead Place, Halifax, Yorkshire.

Astin, John Christopher; A.C.A., 1958; 36 Winchester Avenue, Leicester.

Atkins, Clive Richard; A.C.A., 1958; 101A Sulgrave Road, Hammersmith, London, W6.

Atkinson, David Michael; A.C.A., 1958; 'Woodhurst', Warren Drive, Kingswood, Surrey.

Austin, Allan; A.C.A., 1958; 39 Queens Road, Yardley, Birmingham, 26.

Austin, David George; A.C.A., 1958; with J. K. Ashton, 41 Chapel Street, Chorley, Lancs.

Baddar, Talat Nader, B.A.(COM.); A.C.A., 1958; 51 Mabfield Road, Fallowfield, Manchester, 14.

Bailey, Eric Roy; A.C.A., 1958; with Geo. Little, Sebire & Co, Adelaide House, London Bridge, London, EC4.

Bailey, Gerald; A.C.A., 1958; 21 Britnall Street, Sheffield, 9.

Bakerman, Warner; A.C.A., 1958; 21 Brockholme Road, Mossley Hill, Liverpool, 18.

Ball, Leslie Arthur; A.C.A., 1958; with Reads, Cocke & Watson, Leith House, 47 Gresham Street, London, EC2.

Banton, Alan; A.C.A., 1958; 145 Mercer Street, Newton-le-Willows, Lancs.

Barker, Peter; A.C.A., 1958; with W. D. Burlinson & Co, Market Place, Ossett, Yorkshire.

¶Barker, William Ernest; A.C.A., 1958; (William E. Barker & Co), 9 Turves Road, Cheadle Hulme, near Stockport, Cheshire.

Barlow, Edgar; A.C.A., 1958; with Stockwell, Williamson & Co, 55 Brown Street, Manchester, 2.

Barnes, David John; A.C.A., 1958; Hunters' Hill, Claverdon, Warwick.

Barnes, Hugh Edward Michael; A.C.A., 1958; with Robert J. Ward & Co, Adelphi Terrace House, 3 Robert Street, Adelphi, London, WC2.

Baron, Alan Rickard Warwick, B.A.; A.C.A., 1958; with Chalmers, Wade & Co, 24 Coleman Street, London, EC2.

Barritt, Alan Daniel; A.C.A., 1958; 44 Fowberry Crescent, Fenham, Newcastle upon Tyne, 4.

Barsham, Edward Samuel; A.C.A., 1958; with Newton & Co, Union Chambers, 63 Temple Row, Birmingham, 2.

Barter, Mervyn Tom; A.C.A., 1958; 7 Pit Farm Road, Guildford, Surrey.

Bastiman, Raymond Macrow; A.C.A., 1958; with Smith, Willcox & Co, 38 Queen Street, Scarborough.

Bates, William Arthur; A.C.A., 1958; with Paul, Dowd & Co, 80/86 Lord Street, Liverpool, 2.

Baxter, Geoffrey Albert Edward, B.COM.; A.C.A., 1958; 37 Wedgewood Road, Quinton, Birmingham, 32.

§Bazar, Adrian; A.S.A.A., 1958; with Jeffreys, Alfred Henry & Marks, 10 Coleman Street, London, EC2.

Beard, Paul Leonard; A.C.A., 1958; 321 Yardley Road, South Yardley, Birmingham, 25.

Beaumont, Michael Day; A.C.A., 1958; 28 Windsor Road, Newark, Notts.

Beese, Derek Alfred; A.C.A., 1958; 9 Chamberlain Road, Llandaff North, Cardiff.

Bellis, John Alan; A.C.A., 1958; with Harmood Banner, Lewis & Mounsey, 10 Norfolk Street, Manchester, 2.

Bendall, Dudley Hockney; A.C.A., 1958; 123 Longmoor Lane, Sandiacre, Notts.

Benedict, Peter Harry; A.C.A., 1958; with Goodier, Smith & Co, 92 New Cavendish Street, London, W1.

Berry, George Phillip; A.C.A., 1958; with Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.

Best, Gordon; A.C.A., 1958; 87 Leeds Road, Lofthouse, near Wakefield.

Best, John Douglas; A.C.A., 1958; with D. P. Newell, Wright & Co, Worcester Cross Chambers, Oxford Street, Kidderminster.

Betts, David Roland; A.C.A., 1958; 99 Oaklands Road, Bexleyheath, Kent.

Billingham, David John; A.C.A., 1958; with Sharp, Parsons & Co, 120 Colmore Row, Birmingham, 3.

Bingham, David Ernest; A.C.A., 1958; 69 Manchester Road, Wilmslow, Cheshire.

Birch, Walter Alfred; A.C.A., 1958; 'The Hollies', Nether Whitacre, near Coleshill, Birmingham.

Bird, Frederick Thomas George; A.C.A., 1958; with F. Roberts & Co, 15 Guildhall Road, Northampton.

Bird, Horace Alfred; A.C.A., 1958; 11 Ryland Place, Broad Street, Birmingham, 15.

Bishop, Reginald William; A.C.A., 1958; with V. H. Frank & Co, 6 Drapers' Gardens, London, EC2.

Biswas, Nani Gopal; A.C.A., 1958; with Garvin, Cantor & Co, Ling House, 10/13 Dominion Street, South Place, London, EC2.

Bloom, David Samuel; A.C.A., 1958; 10 Victoria Grove, Second Avenue, Hove, Sussex.

Blouet, Graham Lewis; A.C.A., 1958; with Jenks, Percival, Pidgeon & Co, 14 Finsbury Circus, London, EC2.

Blundell, Henry; A.C.A., 1958; with Loveridge & Moore, 40 Hoghton Street, Southport.

Boddy, Frederick John Richard; A.C.A., 1958; 10 Gladstone Road, Sheffield, 10.

Booth, Eric; A.C.A., 1958; 5 Park Avenue, Cross Gates, Leeds, 15.

Borrett, John Edgar; A.C.A., 1958; 753 Romford Road, Manor Park, London, E12.

Boty, John William; A.C.A., 1958; 108 Beddington Gardens, Carshalton, Surrey.

Bowen, John Neil; A.C.A., 1958; 25 Wood Terrace, Sansome Walk, Worcester.

Bowesman, Raymond Handley; A.C.A., 1958; 147 High Street, Billericay, Essex.

Bown, Julian Lemuel; A.C.A., 1958; with Hudson Smith, Briggs & Co, Exchange Chambers, Corn Street, Bristol, 1.

Boyd, Ian Maclean; A.C.A., 1958; with Portlock & Co, 8 Staple Inn, Holborn, London, WC1.

Bradley, William Campbell; A.C.A., 1958; with Sharp, Parsons & Co, 120 Colmore Row, Birmingham, 3.

Brayshaw, Michael Stanley; A.C.A., 1958; 5 Newbridge Gardens, Wolverhampton.

Brereton, David Charles; A.C.A., 1958; 4 Blakelock Street, Shaw, Oldham, Lancs.

Brett, Raymond Michael Ashby; A.C.A., 1958; Burr Cottage, The Avenue, Ickenham, near Uxbridge, Middlesex.

Bridger, Colin Henry; A.C.A., 1958; with Milne, Gregg & Turnbull, 5 Albemarle Street, Piccadilly, London, W1.

Broadbent, Keith Foster; A.C.A., 1958; 119 Rooley Lane, Bradford, 5.

Brooks, Norman James; A.C.A., 1958; 'Hill View', Ash Terrace, Ashmore Green, Newbury, Berkshire.

Brown, Christopher Martin Eastwood; A.C.A., 1958; Langton House, Four Marks, Alton, Hants.

Brown, David; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, District Bank Chambers, Market Street, Bradford.

Brown, John Osborne; A.C.A., 1958; with Blakemore, Elgar & Co, 124 Chancery Lane, London, WC2.

Brown, Michael John Raymond; A.C.A., 1958; 188 Heene Road, Worthing.

Bryan, John Donald; A.C.A., 1958; with Singleton, Fabian & Co, 65 London Wall, London, EC2.

Bryce, Alexander Graham; A.C.A., 1958; with Cook & Co, 87 Lord Street, Liverpool, 2.

Bucknall, Michael John; A.C.A., 1958; 13 St Helen's Parade, Southsea, Hants.

Bunting, Frank Thomas, B.SC.; A.C.A., 1958; with Whinney, Smith & Whinney, 8 Newhall Street, Birmingham, 3.

Burns, Martin; A.C.A., 1958; with Elliott Norman Jacobs & Co, Haymarket Court, 31/32 Haymarket, London, SW1

Bush, Peter Alden; A.C.A., 1958; with Hudson Smith, Briggs & Co, Exchange Chambers, Bristol, 1.

Butterworth, Geoffrey Frank; A.C.A., 1958; with R. H. March, Son & Co, Baltic House, Mount Stuart Square, Cardiff.

Bygrave, Clifford; A.C.A., 1958; 125 Dunstable Road, Caddington, near Luton.

Byrt, Douglas Hansford; A.C.A., 1958; with Beal, Young & Booth, 21 The Avenue, Southampton.

Cairns, David James, M.A.; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 2 Park Place, Leeds, 1.

Cake, Michael Walter James; A.C.A., 1958; Woodhouse Cottages, Chaffcombe, near Chard, Somerset.

Calder, James; A.C.A., 1958; 30 Sunniside Drive, South Shields, Co. Durham.

Carey-Wood, Anthony James; A.C.A., 1958; Alington House, Alington Road, Parkstone, Dorset.

Carpenter, Brian Roy, B.SC.(ECON.); A.C.A., 1958; 75 Clarendon Road, Holland Park, London, W11.

Carrington, Peter John; A.C.A., 1958; with Nasmith, Coutts & Co, 78 King Street, Manchester, 2.

Carroll, Daniel Joseph; A.C.A., 1958; with Chalmers, Wade & Co, 24 Coleman Street, London, EC2.

Carruthers, Reginald Percival; A.C.A., 1958; 1 Woodfield, Dunham Hill, Via Warrington, Lancs.

Carter, Nigel Anthony; A.C.A., 1958; 63 Bank End Lane, Almondbury, Huddersfield.

Carvel, Francis William Wordsworth, M.A.; A.C.A., 1958; with Turquand, Youngs & Co, 19 Coleman Street, London, EC2.

Castle, David Mark Bathurst, M.A.; A.C.A., 1958; with Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.

Cecil, Charles David; A.C.A., 1958; with J. & A. W. Sully & Co, Abbey Gate House, College Green, Bristol, 1.

Champion, Malcolm John; A.C.A., 1958; 49 Delamere Road, Ealing, London, W5.

Chappell, Bryan Augustus; A.C.A., 1958; 15 Orchard Way, Stanbridge, Leighton Buzzard, Bedfordshire.

Chorley, Roger Richard Edward, B.A.; A.C.A., 1958; with Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.

Chubb, Albert Wilson; A.C.A., 1958; 117 Woolley Wood Road, Sheffield.

Clark, James Michael Dowsett; A.C.A., 1958; with S. J. G. Southon & Co, 183 Ashley Road, Parkstone, Poole, Dorset.

Clarke, Godfrey Walter; A.C.A., 1958; The Post Office, Weekley, near Kettering, Northants.

Clements, Ralph William; A.C.A., 1958; 'Croslands', Hyde Park Corner, Fingringhoe, near Colchester, Essex.

Cloran, Kevin David; A.C.A., 1958; 10 May Street, Gloucester Street, Salford, 5, Lancashire.

Cocker, William; A.C.A., 1958; with Farrant, Stott & Golland, 2 Booth Street, Manchester, 2.

Cockroft, John David; A.C.A., 1958; 103 Scartho Road, Grimsby.

Coe, Michael John; A.C.A., 1958; with Foster, Finn-Kelcey & Co, 21 Bank Street, Ashford, Kent.

Collier, Peter; A.C.A., 1958; with H. Heywood, Martins Bank Chambers, Park Green, Macclesfield, Cheshire.

Collins, Sydney; A.C.A., 1958; with Stagg, Moorhouse & Co, 124 Devonshire Street, Sheffield, 3.

Constable, Stanley Ernest; A.C.A., 1958; with Thornton & Thornton, 18B High Street, High Wycombe, Bucks.

Cooke, Geoffrey Albert; A.C.A., 1958; c/o Aluminium Securities Ltd, 2100 Sun Life Building, Montreal, P.Q., Canada.

Coombes, Raymond Edward; A.C.A., 1958; 4 Yew Road, Bitterne, Southampton.

Cope, Kenneth; A.C.A., 1958; 56 Roman Avenue, Roundhay, Leeds, 8.

Cope, Roland; A.C.A., 1958; 17 Dunholme Avenue, Newark, Notts.

Copeland, Michael Arthur; A.C.A., 1958; 9 Pilgrims Walk, Billericay, Essex.

Copelin, John Ernest; A.C.A., 1958; with Pettitt, Maddox & Co, Bourne Chambers, St Peter's Road, Bournemouth.

Copeman, Jeremy Michael; A.C.A., 1958; Harwood House, East Grinstead, Sussex.

Corlett, (Miss) Enid Agnes; A.C.A., 1958; with Albert Hill & Co, Isle of Man Bank Chambers, Douglas, Isle of Man.

Coulson, Eric; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 17 Eldon Square, Newcastle upon Tyne 1.

Coupar, John McDonald; A.C.A., 1958; with C. H. Jefferson, 15 Wells Street, Scunthorpe, Lincolnshire.
Cowlishaw, Alan; A.C.A., 1958; 44 Beehive Lane, Welwyn Garden City, Herts.
Cox, John Brian Denis; A.C.A., 1958; Manor Farm House, Lower Moor, near Pershore, Worcestershire.
Craig, John Egwin; A.C.A., 1958; with Dangerfield, Brewis & Co, 56 Cannon Street, London, EC4.
Cramer, Samuel John, B.COM.; A.C.A., 1958; 13 Alyth Road, Bournemouth, Hants.
Crawford, Terence Bernard; A.C.A., 1958; with James Worley & Sons, 16 Union Court, Old Broad Street, London, EC2.
Crewe, Geoffrey Frederick; A.C.A., 1958; with Russell Tillett & Co, 38 King Street West, Manchester.
Crome, Bernard John; A.C.A., 1958; with H. P. Gould & Son, 8 Upper King Street, Norwich.
Croucher, Derek James; A.C.A., 1958; with Price Waterhouse & Co, 31 Mosley Street, Newcastle upon Tyne, 1.
§Cullen, Thomas Anthony; A.S.A.A., 1958; c/o Office of the Comptroller & Auditor-General, 32 Upper Merrion Street, Dublin.
Cummings, Keith Dudley; A.C.A., 1958; 44 Chaworth Road West Bridgford, Nottingham.
Curtis, John Ernest; A.C.A., 1958; with Hodgson, Harris & Co, Bank Chambers, Parliament Street, Hull.
Curzon-Tompson, Roger Howard Lawrence; A.C.A., 1958; 5 Sunray Avenue, West Drayton, Middlesex.
Dale, John Malcolm; A.C.A., 1958; 52 Littlegreen Road, Woodthorpe, Nottingham.
Dales, John Handsley; A.C.A., 1958; with Blackburns, Robson, Coates & Co, City Chambers, Infirmary Street, Leeds, 1.
Daly, Derek Keith; A.C.A., 1958; 7 Fairmount Drive, Loughborough, Leicestershire.
Danby, John Charles; A.C.A., 1958; 329 Derby Road, Old Lenton, Nottingham.
Dandy, William Arthur; A.C.A., 1958; The Spinney, Plas Newton Lane, Hoole, Chester.
Dann, William Eric; A.C.A., 1958; with John Rowley & Co, 20 Friar Lane, Leicester.
Davenport, John Martin, B.A.; A.C.A., 1958; Hill Top, Firbank Drive, Woking, Surrey.
Davidson, John Castle; A.C.A., 1958; 95 Main Street, Distington, Workington, Cumberland.
Davies, Donald Price; A.C.A., 1958; 19 Kent-View Avenue, Leigh-on-Sea, Essex.
Davies, Hereward Scott; A.C.A., 1958; 42 Royal Crescent, Holland Park, London, W11.
Davies, Sydney Edward; A.C.A., 1958; 17 Brookthorpe Avenue, Burnage, Manchester, 19.
Davis, Paul Vivian; A.C.A., 1958; 1 Mandeville Road, Southgate, London, N14.
Davy, Ronald Audsley; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, Queen's Square, Middlesbrough.
Dawson, Michael; A.C.A., 1958; 98 Weybourne Road, Farnham, Surrey.
Day, David Clapham; A.C.A., 1958; 94 Woodland Drive, Hove, 4, Sussex.
Day, Norman Eric Noel; A.C.A., 1958; 'Abbey Hill', Broadway, Letchworth, Herts.
Delaunay, Francis Paul; A.C.A., 1958; 3 Ashcroft Avenue, Salford, 6.
De Menezes, Dominic John Santana; A.C.A., 1958; with Messik, Arthur & Co, 32 Savile Row, London, W1.
Dendy, Terence Arthur Grenville; A.C.A., 1958; with Pannell, Crewdson & Hardy, 9 Basinghall Street, London, EC2.
Dixon, Frank Lorryn; A.C.A., 1958; 21 Tanfield Road, East Didsbury, Manchester, 20.
Docker, Donald Bruce; A.C.A., 1958; 10 Benville Street, Newton Heath, Manchester, 10.
Donnelly, John; A.C.A., 1958; 160 Elgin Street, Bolton.
Donovan, Arthur James; A.C.A., 1958; with Brown, Peet & Tilly, Bank Buildings, 1 High Street, Croydon.
Dore, Brian James; A.C.A., 1958; 456 Cowley Road, Oxford.
Dorton, Ronald Herbert; A.C.A., 1958; with Clark, Battams & Co, 32 Victoria Street, Westminster, London, SW1.
Dowdy, Michael John; A.C.A., 1958; 78 Herga Court, Harrow-on-the-Hill, Middlesex.
Dowle, John Michael; A.C.A., 1958; 27 Hambro Road, Portland, Dorset.
Downey, Frederick John; A.C.A., 1958; 32 Nelson Close, Sompting, Lancing, Sussex.
Doxey, Peter; A.C.A., 1958; 8 Bank Cottages, Billington, near Blackburn.
Druce, John Birkett; A.C.A., 1958; 107 Avenue Road, Oakwood, Southgate, London, N14.
Dugard, John Roe; A.C.A., 1958; 72 Lucknow Avenue, Mapperley Park, Nottingham.
Dunkley, Norman Frederick; A.C.A., 1958; with F. Roberts & Co, 15 Guildhall Road, Northampton.
Dunn, Ernest Alan; A.C.A., 1958; with Whitfield & Co, Martins Bank Chambers, Park Row, Leeds, 1.
Eatough, Norman John, B.A.(ECON.); A.C.A., 1958; with Andw. W. Barr & Co, Ridgeford House, 9 Clarges Street, London, W1.
§Edmundson, Harry, A.S.A.A., 1958; c/o Borough Treasurer's Department, Municipal Buildings, Southend-on-Sea.
Edwards, François Wyndham, B.A., LL.B.; A.C.A., 1958; with Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.
Edwards, Richard Aneurin; A.C.A., 1958; School House, Llysfaen, Colwyn Bay, North Wales.
Edwards, William John; A.C.A., 1958; with Ralph D. Higgs, Foreman & Co, Holly House, Paddockhall Road, Haywards Heath, Sussex.
Element, David Viner; A.C.A., 1958; with Ogden, Hibberd Bull & Langton, Audrey House, Ely Place, London, EC1.
Ellam, Norman Martin James; A.C.A., 1958; Blue Barn Farm, St George's Hill, Weybridge, Surrey.
Elliott, Ronald; A.C.A., 1958; with Henry I. Jacobs, (Henry I. Jacobs & Co), 128/134, Baker Street, London, W1.
Ellis, Michael John Irving; A.C.A., 1958; 8 Varndean Gardens, Withdean, Brighton, 6.
Ellison, David Michael; A.C.A., 1958; 11 Victoria Street, Barnsley.
Ellison, Richard John; A.C.A., 1958; 22 Marine Terrace, Waterloo, Liverpool, 22.
Evans, Richard Thomas; A.C.A., 1958; 39 St Michael's Avenue, Bramhall, Cheshire.
Farnworth, Myles Mark Hurst; A.C.A., 1958; with S. E. Cottam & Son, 77 King Street, Manchester, 2.
Farra, Leonard; A.C.A., 1958; 34 Eastdown House, Amhurst Road, London, E.8.
Faulkner, Colin George Bruce; A.C.A., 1958; 19 Castle Drive, Ilford, Essex.
Fawssett, Brian Uvedale; A.C.A., 1958; with Morrish, Walters & Co, Provincial House, 98/106 Cannon Street, London, EC4.
Featherstone, John Robson; A.C.A., 1958; with G. N. Randle & Co, 58 John Street, Sunderland.
Feeney, John Francis; A.C.A., 1958; Nevills, Maynards Green, Horam, Sussex.
Feiger, Malcolm Myer; A.C.A., 1958; 37 Leaside Avenue, Muswell Hill, London, N10.
Fewkes, Philip Roger; A.C.A., 1958; 'Little Shutters', The Fairway, Manor Road, Oadby, Leicester.
Fine, Jeffrey Joseph; A.C.A., 1958; 16 Park Close, Finchley Park, London, N12.
Finn, Leonard Ian; A.C.A., 1958; 13 Foscote Road, Hendon London, NW4.
Fisher, Michael John Aldridge; A.C.A., 1958; 33 Lancaster Road, Birkdale, Southport, Lancs.
Fleetwood, Bernard; A.C.A., 1958; with Frazer, Whiting & Co, 126 Bishopsgate, London, EC2.
Fordham, Raymond Frank; A.C.A., 1958; with A. J. Northcott, Lyddon & Co, Ford Park Chambers, Ford Park Road, Plymouth.

Foreman, John Edward James; A.C.A., 1958; with Woodthorpe, Bevan & Co, Leadenhall Buildings, 1 Leadenhall Street, London, EC3.

Fossett, Roy James; A.C.A., 1958; 51 New Barnes Avenue, Mitcham, Surrey.

Foster, David Byrom; A.C.A., 1958; with Franklin, Wild & Co, Orient House, 42/45 New Broad Street, London, EC2.

Fowler, Derek George; A.C.A., 1958; with Jackson, Pixley & Co, Kent House, Telegraph Street, London, EC2.

Frankel, John Lewis; A.C.A., 1958; with Grainger, Bonn & Co, 73/74 Marylebone High Street, London, W1.

Fripp, (Miss) Jillian Margaret; A.C.A., 1958; with Sydenham, Snowden, Nicholson & Co, 27 Martin Lane, Cannon Street, London, EC4.

Fry, John Morris; A.C.A., 1958; 42 Woodroffe Drive, Basingstoke, Hants.

Fuller, William Alfred Vincent; A.C.A., 1958; with Bowman, Wilson & Co, 35 Old Jewry, London, EC2.

Gainsford, John Joseph; A.C.A., 1958; with I. B. Goldstein & Co, 34 Lincoln's Inn Fields, London, WC2.

Garner, Royston Donald; A.C.A., 1958; with Mears, Wilson, Turnbull & Co, Farleigh House, 33 Lawrence Lane, London, EC2.

Geffin, Alan Frank; A.C.A., 1958; 12 Norcott Road, London, N16.

Geller, Alan Milton; A.C.A., 1958; 60 Chichele Road, Cricklewood, London, NW2.

§Ghosh, Sucheta Kumar; A.S.A.A., 1958; with I. L. Haffner, 41 South King Street, Manchester, 2.

Gibbs, John Henry; A.C.A., 1958; 10 Eccleshall Avenue, Oxley, Wolverhampton, Staffs.

Gibbs, Neville; A.C.A., 1958; with Sewell, Hutchinson & Co, Cross Keys House, 56 Moorgate, London, EC2.

Gilbert, Brian Leonard; A.C.A., 1958; 15 Kathie Road, Bedford.

Gilbert, Frank William; A.C.A., 1958; Hill Bank House, Quarndon, Derby.

Gillitt, Barry, B.A.; A.C.A., 1958; with Daffern & Co, 29 Warwick Road, Coventry.

Gilpin, Peter Frederick; A.C.A., 1958; 14 Holder Road, Sparkbrook, Birmingham, 11.

Gilroy, George Cummings; A.C.A., 1958; 10 Harlow Place, High Heaton, Newcastle upon Tyne, 7.

§¶Ginsberg, Michael; A.S.A.A., 1958; (Max Lazarus & Co), 10 Central Buildings, 78 Main Street/Hoofstraat, Somerset Wes/Wes, Cape Province, South Africa.

Goddard, Dennis Higham; A.C.A., 1958; with Burne, Phillips & Co, 207 Deansgate, Manchester, 3.

Goddard, John Arthur David; A.C.A., 1958; with Merrett, Son & Street, 120 Moorgate, London, EC2.

Gold, Jack; A.C.A., 1958; with Newman, Young & Co, 16 Curzon Street, Mayfair, London, W1.

Goldring, John Irwin; A.C.A., 1958; 14 Mayfield Gardens, Hendon, London, NW4.

Gooder, George; A.C.A., 1958; 2 Whinbrook Crescent, Scott Hall Road, Leeds, 17.

Goodfellow, Horace Arthur Tewksbury; A.C.A., 1958; with MacNair, Mason, Evans & Co, Capel House, 62 New Broad Street, London, EC2.

Goonting, Dennis Gilbert; A.C.A., 1958; with Baker & Co, 4 Tokenhouse Buildings, King's Arms Yard, London, EC2.

Gosling, Michael; A.C.A., 1958; with Barron & Barron, 1 Minster Gates, York.

Graham, Thomas Edward; A.C.A., 1958; with Paul Lazzari, 34 Grey Street, Newcastle upon Tyne, 1.

Graves, James Leslie; A.C.A., 1958; with Baker, Tompkins & Co, Paxton House, 36/38 Dean Street, London, W1.

Gravestock, Robert; A.C.A., 1958; c/o Oliver H. Smith & Co, Meer Street Chambers, Stratford-on-Avon.

Gray, Colin Armstrong; A.C.A., 1958; 12 Ince Avenue, Great Crosby, Liverpool, 23.

Green, Dennis Malcolm; A.C.A., 1958; 5 Salem Road, Bayswater, London, W2.

Green, Leonard Walter; A.C.A., 1958; 47 Bickenhall Mansions, Baker Street London W1

Greenfield, Peter; A.C.A., 1958; with Charles F. Beer & Co. Gordon Chambers 21 Bond Street, Leeds, 1.

Grey, John; A.C.A., 1958; 16 George Road, Wallsend upon Tyne, Northumberland.

Griffin, Harold, B.A.; A.C.A., 1958; with Farrow, Bersey, Gain, Vincent & Co, 53 New Broad Street, London, EC2.

Griffith, Huw Gareth; A.C.A., 1958; 'Deunant', Ala Road, Pwllheli, Caernarvonshire.

Griffith, Patrick Shaun; A.C.A., 1958; 'Garryowen', Bennett Drive, Hove, Sussex.

Grimley, John Clive; A.C.A., 1958; 15 Turvey Lane, Long Whatton, near Loughborough, Leicestershire.

Grindrod, Ernest Clegg; A.C.A., 1958; 161 Malvern Road, Bournemouth, Hants.

Guess, Michael John; A.C.A., 1958; 64 Belper Road, Derby.

Haase, Ludwig Otto Gerhard; A.C.A., 1958; with Brebner, Allen & Trapp, Bond Street House, 14 Clifford Street, New Bond Street, London, W1.

Haden, John Brian; A.C.A., 1958; with A. & E. Law & Co, Kingscourt, Bridge Street, Walsall.

§Haig, Robert Fairley; A.S.A.A., 1958; c/o Geo. T. Clunie & Scott, 25A St Andrew Square, Edinburgh, 2.

Hall, Brian George; A.C.A., 1958; 458 Herries Road, Sheffield, 5.

Hands, Leonard Thomas; A.C.A., 1958; with Geo. Little, Sebire & Co, Adelaide House, London Bridge, London, EC4.

Hannigan, Derek Henry; A.C.A., 1958; with Price Waterhouse & Co, Cavendish House, 41 Waterloo Street, Birmingham, 2.

Harding, Frederick Orriss; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 2 Park Place, Leeds, 1.

Harker, Peter; A.C.A., 1958; with Armitage & Norton, Martins Bank Chambers, Tyrrell Street, Bradford.

Harley, John Alfred; A.C.A., 1958; 18 Cunliffe Road, Blackpool.

Harmon, Richard Brian; A.C.A., 1958; The Cottage, Beardall Street, Hucknall, Nottingham.

Harris, Ian Walter, M.M.; A.C.A., 1958; with Moller, Morton & Co, Friars House, New Broad Street, London, EC2.

Harrison, Arthur Geoffrey; A.C.A., 1958; 'Oldknow Corner' Arkwright Road, Marple, Stockport, Cheshire.

Hattersley, Gordon; A.C.A., 1958; with Landin, Wilcock & Co, Queen Street Chambers, 68 Queen Street, Sheffield, 1.

Hattersley, John Ronald; A.C.A., 1958; with J. F. W. Robinson & Co, Oxford Chambers, New Oxford Street, Workington, Cumberland.

Haussmann, Alexander Konstantin; A.C.A., 1958; City Hochhaus, Apartment 106, 30 Kurfurstenstrasse, Dusseldorf, Germany.

Hawes, Peter John; A.C.A., 1958; with Franklin, Wild & Co, 42/5 New Broad Street, London, EC2.

Heady, Donald Edward; A.C.A., 1958; with Tayler, Hounsfield & Co, Coventry House, South Place, Moorgate, London, EC2.

Hebden, John Dempster; A.C.A., 1958; with C. Percy Barrowcliff & Co, 55/57 Albert Road, Middlesbrough.

Hedge, Colin John; A.C.A., 1958; with Harper-Smith, Moore & Co, 7 The Close, Norwich, Norfolk.

Hellier, Kenneth Charles; A.C.A., 1958; with Spencer, Fellows & Co, 110 Cannon Street, London, EC4.

Heppell, Frank Neil; A.C.A., 1958; 279 Benton Road, Newcastle upon Tyne, 7.

Herbert, Peter Gilbert; A.C.A., 1958; with Josiah Beddow & Son, Liverpool House, 15/17 Eldon Street, London, EC2.

Hewitt, David Stuart; A.C.A., 1958; with Dawson, Graves & Co, 1 Tithebarn Street, Liverpool, 2.

Heyes, Derek Alan; A.C.A., 1958; 392 Warwick Road, Carlisle.

Hibbert, William; A.C.A., 1958; with Midgley, Gerrard & Co, 15 Wood Street, Bolton.

Higgins, Roger, B.A.; A.C.A., 1958; Knoll Bungalow, Upton Hill, Upton St Leonards, near Gloucester.
Hill, Dennis Turner; A.C.A., 1958; with Armitage & Norton, P.O. Box 10, Station Street Buildings, Huddersfield.
Hill, Neill Rowland; A.C.A., 1958; 49 Marshall Street, Smethwick, Staffordshire.
Hill, Roland Brian Robey; A.C.A., 1958; with Cooper & Cooper, 27/28 Finsbury Square, London, EC2.
Himsworth, Malcolm Wright; A.C.A., 1958; with A. J. Downs & Co, 8 Parliament Street, Hull.
Hipps, Paul Anthony; A.C.A., 1958; Troutbeck, Oakdale, Harrogate.
Hirons, Dick Robert; A.C.A., 1958; 3 The Village, Kingswinford, Brierley Hill, Staffs.
Hockney, John Henry; A.C.A., 1958; 100 Earl Howe Street, Leicester.
Hodgson, Norman Alan; A.C.A., 1958; with F. A. Bardsley & Co, 6 St Anns Square, Manchester, 2.
Holberton, John Vaughan, B.A.; A.C.A., 1958; with Layton-Bennett, Billingham & Co, 23 Blomfield Street, London, EC2.
§Holden, Ronald Charles; A.S.A.A., 1958; c/o Ministry of Housing & Local Government (District Audit Branch), Whitehall, London, SW1.
Holder, John Edward Knox; A.C.A., 1958; 75A Packhorse Roads, Gerrards Cross, Bucks.
Holland, Derek; A.C.A., 1958; with Thomas Leech & Son, Richmond Chambers, Richmond Terrace, Blackburn.
Holland, John Edward; A.C.A., 1958; with Gordon Emery & Co, Red Lion Square, Heanor, Derbyshire.
Holt, Michael, M.A., LL.B.; A.C.A., 1958; with Arthur Goddard & Co, 46/47 London Wall, London, EC2.
Holyland, David; A.C.A., 1958; Spinney Hill Poultry Farm, Gumley, Market Harborough, Leicestershire.
§Hook, Charles Richard; A.S.A.A., 1958; c/o Registry of Friendly Societies, 17 North Audley Street, London, W1.
Hopkins-Husson, John Peter; A.C.A., 1958; 75 Kenley Road, St Margarets, Twickenham, Middlesex.
Hopwood, Clifford, B.COM.; A.C.A., 1958; with Barton, Mayhew & Co, Alderman's House, Bishopsgate, London, EC2.
Hornbrook, Peter William; A.C.A., 1958; 278 Priests Lane, Shenfield, Essex.
Horne, Keith James; A.C.A., 1958; with Scrutton & Goodchild, 34 Museum Street, Ipswich, Suffolk.
Horner, Michael William; A.C.A., 1958; 62 Outwood Drive, Heald Green, Cheadle, Cheshire.
Horsfield, Michael Anthony; A.C.A., 1958; 'Hilltop', Hempstead Road, Bovingdon, Herts.
Hoseason, Bruce Alexander Hunter; A.C.A., 1958; 87 Chiltern Court, Baker Street, London, NW1.
Hosny, Ahmed Hussein, B.A.(COM.); A.C.A., 1958; with Trotter, Davies & Yearsley, 27 Brazennose Street, Manchester, 2.
Housden, Philip James; A.C.A., 1958; with Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.
Howells, Henry; A.C.A., 1958; with Carline, Watson, Bird & Co, 57 Saltergate, Chesterfield.
Hubbard, Piers John Sherlock; A.C.A., 1958; with Pannell, Crewdson & Hardy, 9 Basinghall Street, London, EC2.
Hubbold, Clifford Edward; A.C.A., 1958; 56, Tame Street East, Walsall.
Huddy, David George, B.A.; A.C.A., 1958; with Mann, Judd & Co, 8 Frederick's Place, Old Jewry, London, EC2.
Huggins, Peter James; A.C.A., 1958; with W. T. Walton & Son, Marlow House, Lloyd's Avenue, London, EC2.
Hughes, John; A.C.A., 1958; with Forrestal & Co, 1 Newgate Street, Newcastle upon Tyne.
Humphreys, John Bishop; A.C.A., 1958; 4 Melville Road, Sidcup, Kent.
Humphreys, Michael Lewis; A.C.A., 1958; with W. T. Walton & Son, Marlow House, Lloyd's Avenue, London, EC3.
Hurst, Henry; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, New Exchange Buildings, Queen's Square, Middlesbrough.
Iliff, Anthony; A.C.A., 1958; with Newton & Co, Union Chambers, 63 Temple Row, Birmingham, 2.
Ince, Kenneth George; A.C.A., 1958; with Clements, Hakim, Darr & Co, 36 Seymour Street, Marble Arch, London, W1.
Ingram, John Keith; A.C.A., 1958; with Larking, Larking & Whiting, 12 & 13 The Crescent, Wisbech.
Inkpen, Cyril; A.C.A., 1958; with R. N. Store & Co, Osborne Chambers, Grimsby.
Inwood, Kenneth Frank Henry; A.C.A., 1958; 72 Molesey Road, Hersham, Surrey.
Ireland, Brian Williams; A.C.A., 1958; with Priest, Marchant & Co, Salisbury Square House, Salisbury Square, London, EC4.
Jeffs, Christopher Richard; A.C.A., 1958; with Hillier, Hills, Frary & Co, 26 Victoria Street, Luton, Bedfordshire.
Jenkins, Derek William; A.C.A., 1958; with Proctor & Proctor, 43 Westgate, Burnley.
Johnson, Arthur Ralph; A.C.A., 1958; with H. G. Ellis, Kennewell & Co, Imperial Building, Victoria Street, Nottingham.
Jones, Charles Thompson; A.C.A., 1958; 2 Record Street, Ruthin, North Wales.
Jones, David Harold, B.SC.; A.C.A., 1958; with Lithgow, Nelson & Co, Derby Square, Castle Street, Liverpool 2.
Jones, Elwyn Tudor; A.C.A., 1958; with Black, Geoghegan & Till, 67 Watling Street, London, EC4.
Jones, Horace Wilson; A.C.A., 1958; 109 Stratford Road, Stroud, Gloucestershire.
Jones, Jack; A.C.A., 1958; 44 Princess Street, Ashton-under-Lyne, Lancs.
Jones, John Trevor; A.C.A., 1958; with Kneeshaw, Moffatt & Co, 6 Grimshaw Street, Burnley.
Jones, Kenneth William; A.C.A., 1958; with David Smith, Garnett & Co, 61 Brown Street, Manchester, 2.
Jones, Richard Walter Edward; A.C.A., 1958; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.
Kearns, Hubert Joseph Bartholomew; A.C.A., 1958; with Turquand, Youngs & Co, 19 Coleman Street, London, EC2.
Kelland, David John; A.C.A., 1958; 'Fairways', Mayfair, Post Hill, Tiverton, Devon.
Kemp, (Miss) Barbara Ann; A.C.A., 1958; with Futcher, Head, Smith & Co, Broad Street House, 54 Old Broad Street, London, EC2.
Kenmir, Edward Cawthorne; A.C.A., 1958; with Chipchase, Wood & Co, Royal George Chambers, Victoria Street, Bishop Auckland, Co. Durham.
Kennedy, James English; A.C.A., 1958; 58 Burradon Road, Burradon, Dudley, Northumberland.
Kettle, Barry Ernest; A.C.A., 1958; with Fox, Hoare, Harris & Turnbull, 36 New Broad Street, London, EC2.
Kiddle, Arthur David; A.C.A., 1958; with Knill, Padgham & Grande, 12 Bruton Street, London, W1.
Kilvington, Stanley; A.C.A., 1958; with Wheawill & Sudworth, 35 Westgate, Huddersfield.
King, David Samuel; A.C.A., 1958; 43 Sinclair Drive, Liverpool, 18.
Kinsman, Barry Bromiley Purvis; A.C.A., 1958; 18 Mayville Drive, Withington, Manchester, 20.
Kirby, Roger Gaved; A.C.A., 1958; 13 Queens Road, Kingston Hill, Surrey.
§Kirby, Terence Colin; A.S.A.A., 1958; c/o W. P. Vickerman & Co, Midland Bank Chambers, 32 Beverley Road, Hull.
Kirkham, James Arthur; A.C.A., 1958; with Griffiths & Sutton, 152/154 Lord Street, Southport.
Knott, Michael Henry; A.C.A., 1958; with Whitmarsh, Sterland & Co, High Street Chambers, St Neots, Hunts.
Kulig, Adam; A.C.A., 1958; with Everett, Morgan & Grundy, Bush Lane House, Bush Lane, Cannon Street, London, EC4.

Lamb, John Maurice; A.C.A., 1958; with D. N. Curitz, Littlestone & Co, 15 Dumfries Place, Cardiff.

Lancaster, Noel Brownrigg; A.C.A., 1958; with Kyle & Co, 9 Victoria Place, Carlisle.

Langrish, Christopher John; A.C.A., 1958; with Shipley, Blackburn, Sutton & Co, 52/53 Jermyn Street, London, SW1.

Lanham, Colin Sydney John; A.C.A., 1958; with T. O. Williams & Davies, Prudential Buildings, St Philips Place, Colmore Row, Birmingham, 3.

Latiff, Asenkudhoos Abdul; A.C.A., 1958; 'Rasidale', Puttalam, Ceylon.

Lavender, Denys Ronald; A.C.A., 1958; with Gordon Haynes & Co, 10 Hay Hill, Berkeley Square, London, W1.

Lawrence, Peter Geoffrey; A.C.A., 1958; with Crane, Christmas & Co, 70 Old Broad Street, London, EC2.

Lawrence, Timothy Gordon Roland; A.C.A., 1958; 'Windrush', Granville Road, Littlehampton, Sussex.

Layzell, Norman; A.C.A., 1958; 22 Tuam Road, Plumstead Common, London, SE18.

Leadbeater, Kenneth John; A.C.A., 1958; 87 Edith Road, London, W14.

Leak, Norman David Maclaren; A.C.A., 1958; West Winds, Winsford, Cheshire.

Legg, Victor John; A.C.A., 1958; with Lord, Foster & Co, Rex House, 38 King William Street, London, EC4.

Lever, Alastair Thomas; A.C.A., 1958; with Dryden, Dorrington & Co, 26 Pall Mall, Manchester, 2.

Lillford, Jack; A.C.A., 1958; with E. Newsum & Son, 48 High Street, Doncaster.

Linaker, Lawrence Edward; A.C.A., 1958; Wood End, Lymington, Hants.

Littlewood, (Miss) Patricia Mary; A.C.A., 1958; with Carter, Son & White, Craven House, 16 Northumberland Avenue, London, WC2.

Littman, Peter Walter; A.C.A., 1958; with Booth, Anderson & Co, 2/3 Norfolk Street, London, WC2.

Livingstone, Michael Gordon; A.C.A., 1958; with Bryden, Johnson & Co, 13 Southampton Place, London, WC1.

Llewellyn, Roger Philip Francis; A.C.A., 1958; 6 Augusta Crescent, Penarth, Glamorgan.

Lloyd, John Michael; A.C.A., 1958; 9 Springfield Crescent, West Bromwich, Staffordshire.

Lloyd, Rupert William Llewellyn; A.C.A., 1958; with C. F. Middleton & Co, 73 Basinghall Street, London, EC2.

Lockhart, Michael Ryland Stuart, B.SC.(ECON.); A.C.A., 1958; 'Sandiway', Holmwood Drive, Barnston, Wirral, Cheshire.

Lomax, George Alan Riley, B.A.(COM.); A.C.A., 1958; with Horsfield & Smith, Belgrave Place, 8 Manchester Road, Bury, Lancashire.

Lowe, William Ian; A.C.A., 1958; 267 Quinton Road, Harborne, Birmingham.

Lowe, William Robert, B.A.; A.C.A., 1958; 'Oaklands', Newtown Linford, Leicestershire.

Lucas, Joseph Roger John; A.C.A., 1958; with Layton-Bennett, Billingham & Co, 23 Blomfield Street, London, EC2.

Luck, Percy Albert William; A.C.A., 1958; 142 Plymouth Road, Redditch, Worcs.

Lunn, Bertram Ramsay (Junr.); A.C.A., 1958; with Eyton & Eyton, County Chambers, 52 Westgate Road, Newcastle upon Tyne, 1.

Lynch, Felix Brian; A.C.A., 1958; 334 Abingdon Road, Oxford.

McArthur, John Fraser; A.C.A., 1958; 72 Manor Way, Onslow Village, Guildford, Surrey.

M'Cardell, Robert Graham; A.C.A., 1958; with A. Grierson, Thompson, Carter & Co, 21 Spring Gardens, Manchester, 2.

§McCormick, Kenneth; A.S.A.A., 1958; c/o City Treasurer's Department, Guildhall, Worcester.

McCue, Frank William; A.C.A., 1958; with Knox, Cropper & Co, Spencer House, South Place, Moorgate, London, EC2.

McCulloch, Maxwell Forbes; A.C.A., 1958; with Forrester, Boyd & Co, 26 South St Mary's Gate, Grimsby.

McDonnell, Richard Alban; A.C.A., 1958; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.

McLloughlin, Anthony Francis; A.C.A., 1958; 54 Abbey Forgate, Shrewsbury.

McNally, Timothy John; A.C.A., 1958; 10 Vincent Road, Hounslow West, Middlesex.

Madge, John Brian; A.C.A., 1958; with Herbert Pepper & Rudland, Waterloo House, 20 Waterloo Street, Birmingham, 2.

Malcolm, Thomas Robin; A.C.A., 1958; with Luckin & Sheldrake, Waterloo Chambers, Chelmsford.

Maliney, Mark Basil; A.C.A., 1958; with Joel Auerbach, 9 Mansfield Street, London, W1.

§Mann, James Frank; A.S.A.A., 1958; c/o Ministry of Health, Savile Row, London, W1.

Mansfield, Brian Donald Frederick; A.C.A., 1958; 14 Maze Green Road, Bishop's Stortford, Hertfordshire.

Marks, David Irving; A.C.A., 1958; with Smallfield, Fitzhugh, Tillett & Co, 24 Portland Place, London, W1.

Marks, Howard John; A.C.A., 1958; 15 Eamont Court, St John's Wood, London, NW8.

Marlow, David Ellis; A.C.A., 1958; 55 Fairefield Crescent, Glenfield, Leicester.

Marsh, Ian Edward; A.C.A., 1958; 'Lone Elms', Park Avenue, Bushey, Herts.

Marshall Kenneth Richard Paul; A.C.A., 1958; 40 York Avenue, East Sheen, London, SW14.

Martin, Richard John; A.C.A., 1958; with Whitehouse, Hopkinson & Co, Prudential Chambers, 35 Bridge Street, Walsall, Staffordshire.

Marzell, Stewart David; A.C.A., 1958; 28 Claremont Road, Forest Gate, London, E7.

Mason, Francis John; A.C.A., 1958; Streethay Lodge, Lichfield, Staffordshire.

Mathison, John Arthur; A.C.A., 1958; 16 Woodland Drive, St Albans, Herts.

Matthews, Donald Ivor, LL.B.; A.C.A., 1958; with Percy G. Stembridge & Co, Avebury House, 55 Newhall Street, Birmingham, 3.

Matthews, John Graham; A.C.A., 1958; 7 Ebro Crescent, Old Binley, Coventry.

Max, Lionel; A.C.A., 1958; 42 Donnington Road, London, NW10.

Mayes, Edward Graham; A.C.A., 1958; with Woodthorpe, Bevan & Co, Leadenhall Buildings, 1 Leadenhall Street, London, EC3.

Maynard, Peter John; A.C.A., 1958; 'The Bungalow', London Road, Abridge, Essex.

§Mehta, Ishwerlal Khushalbhai; A.S.A.A., 1958; with Davies, Watson & Co, 52 Belgrave Road, Victoria, London, SW1.

Mellor, Peter Gordon; A.C.A., 1958; with Blease & Sons, Clifford's Inn, Fleet Street, London, EC4.

Metson, Denis Alwyn; A.C.A., 1958; with Blakemore, Elgar & Co, 124 Chancery Lane, London, WC2.

Miles, Michael Robert Frank; A.C.A., 1958; Mill House, Long Street, Croscombe, near Wells, Somerset.

Millard, Derek Herbert Henry; A.C.A., 1958; with Herbert Hill & Co, 555 Salisbury House, London Wall, London, EC2.

Millard, Paul Windover; A.C.A., 1958; 48 Castlemaine Avenue, Croydon, Surrey.

Miller, Charles Frederick; A.C.A., 1958; with Smailes, Holtby & Gray, 99 Princes Avenue, Hull.

Miller, David John; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.

Mirza, Naseem Shujaat; A.C.A., 1958; with Farr, Rose & Gay, Friars House, 39/41 New Broad Street, London, EC2.

Mitcham, Arthur David; A.C.A., 1958; Ware Farm, Cudworth, Ilminster, Somerset.

Moir, Alan Kenneth; A.C.A., 1958; with John Gordon, Harrison, Taylor & Co, 7 Bond Place, Leeds, 1.

Monkman, Raymond; A.C.A., 1958; 52 Buller Crescent, Leeds, 9.

Moore, Christopher John; A.C.A., 1958; 58 South Hill Road, Bromley, Kent.

Moore, Herbert John; A.C.A., 1958; with Fitzwilliams & Co, 3 South Square, Gray's Inn, London, WC1.

Moore, John; A.C.A., 1958; 37 Reddish Road, South Reddish, Stockport, Cheshire.

Moore, William John; A.C.A., 1958; with Cooper & Cooper, 27/28 Finsbury Square, London, EC2.

Morley, John Streatfeild; A.C.A., 1958; with Whinney, Smith & Whinney, 4B Frederick's Place, Old Jewry, London, EC2.

Morris, Thomas Donald; A.C.A., 1958; 11 Woodstock Road, Golders Green, London, NW11.

Moser, George Matthew Branthwaite; A.C.A., 1958; The Limes, Oxford Street, Daventry.

Moss, Leonard Anthony; A.C.A., 1958; with Ronald A. Goodman & Co, St Andrews House, Holborn Circus, London, EC1.

Moys, Peter Herbert Challen; A.C.A., 1958; 3 York Avenue, East Sheen, London, SW14.

Moyse, Geoffrey Stuart; A.C.A., 1958; 7 Nelson Road, Lexden, Colchester, Essex.

Muffitt, Brian Travers; A.C.A., 1958; 11 Springfield Lane, Morley, Leeds.

Murfitt, Gerald Edwin; A.C.A., 1958; 186 High Street, Chesterton, Cambridge.

Nadal, Arthur Thomas; A.C.A., 1958; with Luckin & Sheldrake, Waterloo Chambers, Waterloo Lane, Chelmsford.

Nelson, Arthur Hugh; A.C.A., 1958; with Nelson & Co, Graisley Chambers, 39 Penn Road, Wolverhampton.

Nelson, Robert Haig; A.C.A., 1958; with Brown & Piper, 56 John Street, Sunderland.

Netley, Brian Malcolm; A.C.A., 1958; 'The Squirrels', Liberty Lane, Addlestone, Surrey.

Neville, Roger Albert Gartside; A.C.A., 1958; with Legg, London & Co, 79 Eccleston Square, London, SW1.

Newson, Leonard Edward; A.C.A., 1958; with Butler, Viney & Childs, 60 St Paul's Churchyard, London, EC4.

Nicholls, Barry Marshall; A.C.A., 1958; 'White Gable', Broad Lane, Tanworth-in-Arden, Warwickshire.

Niddrie, Robert Charles; A.C.A., 1958; 6 Saltern's Lane, Fawley, Southampton.

Nield, Cyril Walter; A.C.A., 1958; with Henry Smith, Hamer & Co, 6 Hamnett Street, Hyde, Cheshire.

Ninnes, Christopher Harvey; A.C.A., 1958; 6 The Crescent, Alexandra Road, St Ives, Cornwall.

Noble, Alan Robson; A.C.A., 1958; with Thomson McLintock & Co, 33 King William Street, London, EC4.

Norman, Maurice Ronald; A.C.A., 1958; 18 Alexandra Street, Dudley, Worcestershire.

Norton, John; A.C.A., 1958; 'Hazeldene', Grantham Road, Bracebridge Heath, Lincoln.

Nugent, Russell Henry; A.C.A., 1958; with Jacob, Cavenagh & Skeet, 41 Water Street, Ludgate Hill, Birmingham, 3.

Oldfield, Hedley Roger; A.C.A., 1958; Newfield Crescent, Dore, near Sheffield.

Olsen, Lawrence Nigel Guy; A.C.A., 1958; with Moores, Carson & Watson, Greenly House, 30 Creechurch Lane, London, EC3.

Ong, Boon Bah; A.C.A., 1958; London House, Guilford Street, London, WC1.

O'Riordan, Brian Roy; A.C.A., 1958; 82 Grosvenor Road, Harborne, Birmingham, 17.

Orman, David Henry; A.C.A., 1958; 5 Downs Hill, Beckenham, Kent.

Owen, Michael George Morton; with John Watson, Sons & Wheatcroft, Norfolk Chambers, 9 Norfolk Row, Sheffield, 1.

Owen, Richard Wilfred; A.C.A., 1958; with Hemsley Miller & Co, Finsbury Court, Finsbury Pavement, London, EC2.

Ozerovitch, Jack; A.C.A., 1958; with Elliott Norman Jacobs & Co, Haymarket Court, 31/32 Haymarket, London, SW1.

Packer, Terence Alfred; A.C.A., 1958; with West, Wake, Price & Co, 6 Broad Street Place, London, EC2.

Pakalnis, Kazys-Algis, B.A.(COM.); A.C.A., 1958; with David Smith, Garnett & Co, 61 Brown Street, Manchester, 2.

Palmer, Sidney; A.C.A., 1958; 3 Park Gate Drive, Gt. Moor, Stockport, Cheshire.

Parfitt, Derek Conrad; A.C.A., 1958; 28 St Isan Road, Heath, Cardiff.

Park, Ian Watret; A.C.A., 1958; with J. Jackson Saint & Co, 22 Lowther Street, Carlisle.

Partington, Alan; A.C.A., 1958; with H. L. & H. L. Holden, 33 Manchester New Road, Middleton, Manchester.

Pasha, Mohammed Yusuf; A.C.A., 1958; c/o Atkin, Coleman & Co, 93 Gray's Inn Road, London, WC1.

Patel, Hoshang Dinshaw; A.C.A., 1958; with J. Civval & Co, 30 Baker Street, London, W1.

Patterson, George Brian; A.C.A., 1958; with Clinch, Essex & Co, 5 John Street, Bedford Row, London, WC1.

Peake, Robert William; A.C.A., 1958; with Allen Edwards & Co, 7 Greenfield Crescent, Edgbaston, Birmingham, 15.

Peck, George Eric; A.C.A., 1958; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.

Pendock, Simon Barry; A.C.A., 1958; The Old Farm House, Knotty Green, Beaconsfield, Bucks.

Phillips, Daniel; A.C.A., 1958; 200 Broomwood Road, Battersea, London, SW11.

Phillips, John Christopher; A.C.A., 1958; 1 Daddyhole Road, Torquay.

Phipps, Paul Robin John; A.C.A., 1958; 54 Twemlow Avenue, Parkstone, Poole, Dorset.

Pigg, Thomas William; A.C.A., 1958; 67 Ferryboat Lane, Hylton Castle, Sunderland.

Pike, Brian David; A.C.A., 1958; 22 Grove Avenue, Pinner, Middlesex.

Pipe, Keeble Wilgress; A.C.A., 1958; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.

Poole, Ronald Peter; A.C.A., 1958; with George J. Hockman & Co, 26/27 Conduit Street, London, W1.

Powell, Nigel Ferriday; A.C.A., 1958; with Powell & Powell, Northern Assurance Buildings, Albert Square, Manchester, 2.

Prater, Martin; A.C.A., 1958; 35 Princes Gardens, Margate, Kent.

Pratt, Charles Roger; A.C.A., 1958; with Thornton & Thornton, Prudential Chambers, Banbury, Oxon.

Price, Anthony Norman; A.C.A., 1958; with Jenks, Percival, Pidgeon & Co, 14 Finsbury Circus, London, EC2.

Price, Graham James; A.C.A., 1958; 32A Cromwell Road, Luton, Bedfordshire.

Priest, Gerard; A.C.A., 1958; 57 Logwood Avenue, Pemberton, Wigan, Lancs.

Prior, Michael Stanley; A.C.A., 1958; 64 Cotswold Gardens, London, NW2.

Pryle, John; A.C.A., 1958; 32 Lunedale Avenue, South Shore, Blackpool.

Purce, Jeremy Jon; A.C.A., 1958; 71 Richmond Road, Wolverhampton.

Pursall, Anthony; A.C.A., 1958; with Shipley, Blackburn, Sutton & Co, 52/53 Jermyn Street, London, SW1.

Quail, Norman William; A.C.A., 1958; with Wilkinson & Freeman, Starkie House, Starkie Street, Preston.

Ralph, Philip Pyman, B.A.; A.C.A., 1958; with Albert Goodman & Co, 3 Hammet Street, Taunton, Somerset.

Ramsdale, Charles Albert John; A.C.A., 1958; with Hartleys, Wilkins & Flew, 1 Central Buildings, Tothill Street, London, SW1.

Randle, Kenneth Roy; A.C.A., 1958; with Alfred G. Deacon & Co, 395 Corn Exchange Buildings, 27 Fennel Street, Manchester, 4.

Rawlinson, Charles Frederick Melville, B.A.; A.C.A., 1958; Little Thatch, Bilton, Rugby.

Rawlinson, Keith Burton; A.C.A., 1958; 133 Cambert Lane, Gorton, Manchester, 18.

Rayton, Michael Antony; A.C.A., 1958; 19 Green Lane, Belper, Derbyshire.

Rea, Peter Beaumont; A.C.A., 1958; Great Pecks, Wickham, Fareham, Hampshire.

Rebeiro, Wilfred Allan; A.C.A., 1958; with Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1.

Reeve, Brian Henry; A.C.A., 1958; with Goldie, Campbell & Robins, Bank Chambers, Lowgate, Hull.

Reeves, David Henry; A.C.A., 1958; 13A Kendall Avenue South, Sanderstead, Surrey.

Reid, John Wilson; A.C.A., 1958; 57 Colebrook Road, St Budeaux, Plymouth.

Reid, Peter William; A.C.A., 1958; with Volans, Leach & Schofield, 10 Blenheim Terrace, Woodhouse Lane, Leeds, 2.

Reilly, Sidney Hugh; A.C.A., 1958; 123 Bayswater Road, West Jesmond, Newcastle upon Tyne.

Renton, Hamish Scott; A.C.A., 1958; with Robert H. Marsh & Co, 73 Ethelburga House, 91/93 Bishopsgate, London, EC2.

Reynolds, Donald Richard; A.C.A., 1958; 82 London Road, Mitcham Junction, Surrey.

Richardson, John William Geoffrey; A.C.A., 1958; with Smith, Weir & Turner, Jacey House, 16 Oxford Street, Manchester, 1.

Richardson, Maurice Anthony; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.

Ridings, Peter Barrie, B.A.(COM.); A.C.A., 1958; with Leach, Johnson, Travis & Co, 32 Kennedy Street, Manchester, 2.

Riley, Norman; A.C.A., 1958; with Dearden, Gilliat & Co, Croxley House, 14 Lloyd Street, Albert Square, Manchester, 2.

Rimmer, Kenneth Henry; A.C.A., 1958; with C. A. Hunter, Callon & Co, Britannia Chambers, George Street, St Helens, Lancs.

Rivett, David Geoffrey; A.C.A., 1958; 2 Bramley Road, Cheam, Surrey.

Roberts, John Gregory; A.C.A., 1958; 'Cherrywood', Cooks Folly Road, Bristol, 9.

Robertson, Timothy; A.C.A., 1958; with John Stubbs, Parkin & Co, 41 North John Street, Liverpool, 2.

Robeson, Paul Michael; A.C.A., 1958; with Hogg, Bullimore & Co, City Gate House, Finsbury Square, London, EC2.

Robins, Peter Anthony; A.C.A., 1958; 37 Westland Road, Kirk Ella, near Hull, East Yorkshire.

Robinson, Thomas; A.C.A., 1958; 47 Hawthorn Crescent, Horden, Co. Durham.

Rollak, Wieslaw Marian Stanislaw, B.COM.; A.C.A., 1958; with G. Young, 27/30 Basinghall Street, London, EC2.

Rosswick, Alan Roger; A.C.A., 1958; 25 Ravenscroft Avenue, London, NW11.

Rowe, Ian Alastair; A.C.A., 1958; with Blackburns, Robson, Coates & Co, 59 New Cavendish Street, London, W1.

Rowe, Peter John; A.C.A., 1958; 540 Hatfield Road, St Albans, Herts.

Rowland, Robert Lyndon; A.C.A., 1958; with J. Earle Hodges, Wright, Judd & Co, Ridgway House, 41/42 King William Street, London, EC4.

Ruddle, Anthony Francis Howard; A.C.A., 1958; with Kemp, Chatteris & Co, St Swithin's House, 37 Walbrook, London, EC4.

Ruffle, Brian Dudley; A.C.A., 1958; with Viney, Price & Goodyear, Empire House, St Martin's-le-Grand, London, EC1.

Rutland, Peter Courtenay; A.C.A., 1958; with Brown, Peet & Tilly, Bank Buildings, 1 High Street, Croydon.

Ryan, Francis Joseph; A.C.A., 1958; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.

Sage, Neville George; A.C.A., 1958; with Bright, Grahame, Murray & Co, 61 Portland Place, London, W1.

Salmon, Ian Stewart; A.C.A., 1958; 28 St John's Court, Finchley Road, London, NW3.

San, Jimmy Mun Foo; A.C.A., 1958; 17 Stanmore Road, Edgbaston, Birmingham, 17.

Sanderson, Bryan; A.C.A., 1958; with B. de v. Hardcastle, Burton & Co, 166 Northwood Way, Northwood, Middlesex.

Sandison, James Sinclair; A.C.A., 1958; 59 Barn Hill, Wembley Park, Middlesex.

Sapsed, Peter Charles; A.C.A., 1958; with Thomson, Kingdon & Co, Saxone House, 74A Regent Street, London, W1.

Sawamiphakdi, Keua, B.COM.; A.C.A., 1958; c/o Thai Government Students' Office, 28 Princes Gate, London, SW7.

Schofield, John Anthony; A.C.A., 1958; with Walker, Fullerton, Hartley & Co, 18A Mount Parade, Harrogate.

Scholefield, Richard Alan; A.C.A., 1958; 57 Newhey Road, Brownley Green, Wythenshawe, Manchester, 22.

Scorer, William; A.C.A., 1958; with J. E. Jackson, 65 Stricklandgate, Kendal, Westmorland.

Scott, Keith; A.C.A., 1958; 6 Copse Edge Avenue, Epsom, Surrey.

Scott, Peter Cyril; A.C.A., 1958; 934 Manchester Road, Bradford, 5.

Scrutton, Anthony Muir; A.C.A., 1958; 28 Warwick Gardens, Kensington, London, W14.

Seitler, Benjamin; A.C.A., 1958; with P. A. Lewis, 3 Marsden Street, Manchester, 2.

Selig, Martin; A.C.A., 1958; 17 Mitchell Avenue, Jesmond, Newcastle upon Tyne, 2.

Sermon, Michael George; A.C.A., 1958; with Stanley Blythen & Co, 12 Low Pavement, Nottingham.

Shah, Shirish Chhaganlal; A.C.A., 1958; 261A Finchley Road, London, NW3.

Shankland, Bernard; A.C.A., 1958; with Alfred Shankland & Sons, 18 Windsor Place, Cardiff.

Shaw, John Julian St Clair; A.C.A., 1958; with E. A. Radford, Edwards & Co, 52 Brown Street, Manchester, 2.

Shaw, Peter John; A.C.A., 1958; with Ashworth, Mosley & Co, Midland Bank Buildings, Spring Gardens, Manchester, 2.

Shepherd, John Fletcher; A.C.A., 1958; 38 Caldene Avenue, Mytholmroyd, Halifax, Yorkshire.

Shepherd, Stanley Alan, B.SC.; A.C.A., 1958; 12 Constance Road, Edgbaston, Birmingham, 5.

Sherwood, Peter Graham; A.C.A., 1958; East Wyke Farm, Ash, near Aldershot, Hampshire.

Shipman, Raymond Michael; A.C.A., 1958; 404 Westdale Lane, Mapperley, Nottingham.

Shore Kenneth; A.C.A., 1958; with J. Hazlitt, 2 Booth Street, Manchester, 2.

Shores, David Neville Waite; A.C.A., 1958; Talbot Inn, Swinhope, Binbrook, Lincs.

Siddons, Alan; A.C.A., 1958; with Carter, Chaloner & Kearns, Canada House, 3 Chepstow Street, Manchester, 1.

Siddons, Alan Herbert; A.C.A., 1958; 58 Broom Crescent, Rotherham, Yorkshire.

Silvester, Peter; A.C.A., 1958; 24 Osprey Avenue, Chatham, Kent.

§Simitch, Danilo Miljko Nicolas, M.A.; A.S.A.A., 1958; c/o Audit Department, Kampala, Uganda.

Simmonds, John Antony; A.C.A., 1958; with Duvall Davies & Co, 14/15 Coleman Street, London, EC2.

Sinden, Patrick John Thorpe; A.C.A., 1958; 18 Sunbury Court Island, Sunbury-on-Thames, Middlesex.

Skinner, Peter Ross, M.A.; A.C.A., 1958; with Black, Geoghegan & Till, 67 Watling Street, London, EC4.
Slater, Herbert Barrington; A.C.A., 1958; 43 Hibson Road, Nelson, Lancashire.
Slavin, Alan; A.C.A., 1958; 52 Mount Pleasant Hill, Upper Clapton, London, E5.
Sloan, James Ferguson; A.C.A., 1958; 29 Albion Park, Loughton, Essex.
Smith, Alan; A.C.A., 1958; 39 Birch Avenue, Chapeltown, Sheffield.
Smith, Alan Dixon; A.C.A., 1958; with Smith & Garton, 23 John William Street, Huddersfield.
Smith, Arthur; A.C.A., 1958; 66 Sunningdale Drive, Salford, 6.
Smith, Edwin Ronald; A.C.A., 1958; 14 Daventry Avenue, Walthamstow, London, E17.
Smith, Ian Martin; A.C.A., 1958; with Gough, Wright & Co, Westminster Bank Chambers, Castle Street, Dudley, Worcestershire.
Smith, John Anthony; A.C.A., 1958; with Prideaux, Frere, Brown & Co, 12 Old Square, Lincoln's Inn, London, WC2.
Smith, John Philipson; A.C.A., 1958; with Heselton, Allan & Co, Cavendish House, 12 Piccadilly, Bradford, 1.
Smith, Michael Robert; A.C.A., 1958; 9 Station Road, Hest Bank, near Lancaster, Lancashire.
Smith, Peter John; A.C.A., 1958; 'Pantiles', Vaughan Avenue, Grimsby.
Smith-Wright, Richard Dayrell; A.C.A., 1958; 78 Cheyne Court, Chelsea, London, SW3.
§Smyth, Denis Victor; A.S.A.A. 1958; c/o Borough Treasurer's Department, Town Hall, Bangor, Northern Ireland.
Somers, Sydney Charles; A.C.A., 1958; with Harmood Banner, Lewis & Mounsey, Dashwood House, 69 Old Broad Street, London, EC2.
Sparrey, Colin Arthur Michael, B.COM.; A.C.A., 1958; 16 Spring Lane, Malvern Link, Worcestershire.
Speake, Richard; A.C.A., 1958; with Poppleton & Appleby, 35 Windsor Place, Cardiff.
Spencer, Richard James; A.C.A., 1958; with T. M. Threlfall & Murfitt, Martins Bank Chambers, Nelson, Lancs.
Spofforth, Jeremy David; A.C.A., 1958; 8 Abbots Close, Worthing, Sussex.
Spray, David Robert, B.A.; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 80 Richmond Street, Toronto, Ontario, Canada.
Stansfield, John Philip; A.C.A., 1958; with Carter, Chaloner & Kearns, Canada House, 3 Chepstow Street, Manchester, 1.
Stansfield, Rodney Ashton; A.C.A., 1958; 20 Nab Lane, Mirfield, Yorkshire.
Staplehurst, Douglas George; A.C.A., 1958; 3 Little Felcourt Cottages, East Grinstead, Sussex.
Steer, Michael John; A.C.A., 1958; with Slipper & Co, 77/79 King Street, London, W6.
Stephenson, John Nelson; A.C.A., 1958; South West Essex Technical College, Forest Road, Walthamstow, London, E17.
Stevenson, James Brian; A.C.A., 1958; 6 Farmcote Road, Lee, London, SE12.
Stewart, John Purves; A.C.A., 1958; with C. J. Hayward & Co, 48 Market Place, Reading.
Stoddard, Edward John; A.C.A., 1958; 231 Weston Road, Meir, Stoke-on-Trent.
Stone, Alister Peter; A.C.A., 1958; 154A Adelaide Road, Swiss Cottage, London, NW3.
Stone, Derek, B.A.; A.C.A., 1958; Marlbrook Farm, Ford Bridge, Leominster, Herefordshire.
Strange, Trevor Lee, B.A.(COM.); A.C.A., 1958; 48 Heaton Road, Withington, Manchester, 20.
Stratford, Victor George Leonard; A.C.A., 1958; 190 Southborough Lane, Bickley, Kent.
Stroud, David Arthur; A.C.A., 1958; with C. A. Nicholas, Victoria Chambers, Victoria Street, Merthyr Tydfil.
Strutt, Raymond Arthur; A.C.A., 1958; 538 London Road, Isleworth, Middlesex.
Sugarman, Jack; A.C.A., 1958; with Lord, Foster & Co, 38 King William Street, London, EC4.
Sunderland, Roy; A.C.A., 1958; 10 Poplar View, Bradford, 7.
Sutcliffe, Derek; A.C.A., 1958; with Aked & Allison, 14 Wards End, Halifax.
Sutherland, Ronald; A.C.A., 1958; with Cooper Brothers & Co, 10 James Street, Liverpool, 2.
Taggart, Maurice Joseph; A.C.A., 1958; with Roberts, Legge & Co, 3 Rumford Place, Liverpool, 3.
Tanner, Michael Leslie John; A.C.A., 1958; 16 Sackville Lane, East Grinstead, Sussex.
Taylor, Anthony David; A.C.A., 1958; 60 Bath Hill Court, Bath Road, Bournemouth.
Taylor, David Hugh Weightman; A.C.A., 1958; 66 Clifton Avenue, West Hartlepool, Co. Durham.
Taylor, Ronald William; A.C.A., 1958; with Percy & Gittins, Charlton House, Priory Street, Dudley.
Terras, Antony Michael, B.A.(COM.); A.C.A., 1958; 'Faraway', Mere, Knutsford, Cheshire.
Thody, Roy Shepherd; A.C.A., 1958; 51 Orson Street, Leicester.
Thomas, David Hugh Hywel; A.C.A., 1958; with James Train & Co, 9 Ironmonger Lane, London, EC2.
Thomas, Stanley Alfred Gunter; A.C.A., 1958; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.
Thomas, William James Neville, B.A.(ECON.); A.C.A., 1958; 11 Park Road, Barry, Glam.
Thompson, Basil John; A.C.A., 1958; with Blackburns, Robson, Coates & Co, Duchy Chambers, Clarence Street, Manchester, 2.
§Thompson, Graham Leonard; A.S.A.A., 1958; 'Dorin', Arkley Drive, Arkley, Barnet, Herts.
Thompson, Malcolm Ernest; A.C.A., 1958; with Richard H. Nerney & Co, 141 Moorgate, London, EC2.
Thompson, Stanley; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 17 Eldon Square, Newcastle upon Tyne, 1.
Thompson, Vincent Leslie; A.C.A., 1958; 38 Silverdale Road, West Bowling, Bradford, 5.
Thorley, Malcolm David; A.C.A., 1958; with Herbert Thorley, St James' Chambers, Cambridge Street, Harrogate.
Thorn, Derek George; A.C.A., 1958; 35 Woodlands Park, Almondsbury, Bristol.
Thorp, Michael Dudley; A.C.A., 1958; with Foster, Finn-Kelcey & Co, 21 Bank Street, Ashford, Kent.
Tollet, William Ernest; A.C.A., 1958; with Bryce Hanmer & Co, 1 & 3 Stanley Street, Liverpool, 1.
Tomkins, Peter Gerard Linton; A.C.A., 1958; 15 Nightingale Road, Rickmansworth, Herts.
Tomlinson, Anthony Peter; A.C.A., 1958; 121 Carlton Avenue West, North Wembley, Middlesex.
Townend, Michael Harvey; A.C.A., 1958; 11A Edgware Road, Blackburn.
Townson, Walker; A.C.A., 1958; 7 Melbourne Avenue, Chadderton, Oldham, Lancs.
Tresadern, William; A.C.A., 1958; with Tribe, Clarke, Painter, Darton & Co, 43/44 Broad Street Avenue, Blomfield Street, London, EC2.
Tucker, David Arthur; A.C.A., 1958; 49 High Street, Honiton, Devon.
Tytherleigh, Colin; A.C.A., 1958; 'Tahilla', Oakwood Close, Chislehurst, Kent.
Udall, William Horace Trevor; A.C.A., 1958; with J. Reddaway, 25 Sidwell Street, Exeter, Devon.
Uridge, Michael William; A.C.A., 1958; with Charles Comins & Co, 50 Cannon Street, London, EC4.
Urmson, Robert Keith; A.C.A., 1958; 206 Greenmount Lane, Bolton.
Urquhart, Ronald Hyde; A.C.A., 1958; with James, Edwards & Co, Salisbury House, London Wall, London, EC2.

Usick, Michael Anthony; A.C.A., 1958; 63 Porchester Gate, London, W2.

Valentine, James Brian; A.C.A., 1958; with Moodie, Young & Co, 203 Regent Street, London, W1.

Vickers, Frank; A.C.A., 1958; 58 Twybridge Way, Willesden, London, NW10.

Vize, John Clifford; A.C.A., 1958; 33 Pipers Close, Burnham, Buckinghamshire.

Vowles, Howard Gordon Kenneth; A.C.A., 1958; with Mellors, Basden & Co, Portland House, 73 Basinghall Street, London, EC2.

Wade, David Henry; A.C.A., 1958; 53A Ravensknowle Road, Dalton, Huddersfield.

Walker, Peter Francis; A.C.A., 1958; with Croudson & Co, 1 Oxford Place, Leeds, 1.

Walsh, Francis; A.C.A., 1958; 50 Glen Avenue, Blackley, Manchester, 9.

Walter, Basil Carlton; A.C.A., 1958; Flat 15, 2D Bryanston Street, London, W1.

Walters, Brian Edward; A.C.A., 1958; with Greenslade & Co, 297/302 Dashwood House, Old Broad Street, London, EC2.

Wamsley, (Miss) Della Margaret; A.C.A., 1958; with Cassleton Elliott & Co, 4 & 6 Throgmorton Avenue, London, EC2.

Warden, Fred William; A.C.A., 1958; with Wykes & Co, 24 Friar Lane, Leicester.

Waring, Arthur James, B.A.; A.C.A., 1958; with Alfred Dobson & Co, Permanent House, The Headrow, Leeds, 1.

Wasdell, Donald Charles; A.C.A., 1958; 'Delaware', Lickey Square, Barnt Green, Worcestershire.

Wassell, Philip Reed; A.C.A., 1958; 10 Bents Green Road, Sheffield, 11.

Waterhouse, Gordon; A.C.A., 1958; c/o Kitson, Hardy & Sharpe, 13 Barstow Square, Wakefield, Yorkshire.

Waterson, Brian Douglas; A.C.A., 1958; with Campbell, Toulmin & Co, Dalton Chambers, 41 John Dalton Street, Manchester, 2.

Watson, Edward John; A.C.A., 1958; with Clay, Russell & Co, 24A Coton Road, Nuneaton.

Watson, Malcolm Joseph; A.C.A., 1958; 3 Rose Mount, Birkby, Huddersfield.

Watson, Michael John Bucknell; A.C.A., 1958; with Black, Geoghegan & Till, 67 Watling Street, London, EC4.

Wayne, Harold; A.C.A., 1958; with Goodman, Jones & Co, 77 Portland Place, London, W1.

Webb, Peter Graham; A.C.A., 1958; with Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.

Webb, Robert Donald; A.C.A., 1958; with Spain Brothers & Co, 1 Old Burlington Street, London, W1.

Webber, Roger Alan; A.C.A., 1958; 13 May's Hill Road, Shortlands, Kent.

Webster, Geoffrey Boyd; A.C.A., 1958; with Ensor, Son & Goult, 7 Elm Street, Ipswich, Suffolk.

Wedgwood, Colin David; A.C.A., 1958; 35 Windsor Drive, Timperley, Altrincham, Cheshire.

Weeks, Gwilym Powell; A.C.A., 1958; 'Avalon', Hospital Road, Pontnewynydd, Pontypool, Mon.

Weir, George Geoffrey; A.C.A., 1958; with Herbert Armstrong & Co, 44A Great North Road, Newcastle upon Tyne, 2.

Weir, James; A.C.A., 1958; 'Madura', The Drive, Bardsey, East Keswick, near Leeds.

Westwood, David John Morris; A.C.A., 1958; 52 Jervis Crescent, Streetly, Sutton Coldfield, Warwicks.

Wheeldon, Norman; A.C.A., 1958; with A. Hague & Son, 7 South King Street, Blackpool.

Wheeldon, Terence Roland; A.C.A., 1958; 81 Station Lane, Birkenshaw, near Bradford.

Whitbread, Roger Charles; A.C.A., 1958; 13 Cobden Street, Bedford.

White, Edward Bertram; A.C.A., 1958; with Wenham Brothers & Co, 21 Bennett's Hill, Birmingham, 2.

White, Geoffrey Peter; A.C.A., 1958; 'Gorsehill', Bryngosol Gardens, Llandudno, Caerns.

§White, John Richard Uttermare; A.S.A.A., 1958; with Pulbrook, Wright & Underwood, P.O. Box 62, Salisbury, S. Rhodesia.

White, Raymond George; A.C.A., 1958; with Payne, Stone, Fraser & Co, 17 Bedford Row, London, WC1.

Whitelock, Peter Rodney; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 2 Park Place, Leeds, 1.

Whittaker, Alan; A.C.A., 1958; with Ashworth, Moulds & Co, 11 Nicholas Street, Burnley.

Whittaker, Harold Joseph; A.C.A., 1958; with D. J. Dunn & Co, 18 Bold Street, Warrington.

Whittaker, Stanley Henry; A.C.A., 1958; with G. H. Attenborough & Co, 9/10 Fenchurch Street, London, EC3.

Wigley, Ronald William; A.C.A., 1958; with C. Herbert Smith & Russell, 'Devonshire House', 40/42 Great Charles Street, Birmingham, 3.

Wijeyesekera, Rajapala Sirisoma, B.COM.; A.C.A., 1958; 68 Honor Oak Road, Forest Hill, London, SE23.

Wilds, Lionel John; A.C.A., 1958; 80 Vaughan Road, Harrow, Middlesex.

Wilkinson, David Neil; A.C.A., 1958; 11 Richmond Place, Sheffield, 13.

Williams, Clive Richard; A.C.A., 1958; with H. Barrett, Son & Taylor, 147 High Street, Ilfracombe.

Williams, Kenneth Rigby; A.C.A., 1958; 28 Balmoral Drive, High Lane, Stockport, Cheshire.

Williams, Stanley Ross Wade; A.C.A., 1958; 2 Chorley Drive, Sheffield, 10.

Williams, Thomas Michael; A.C.A., 1958; 11 The Grove, West Hartlepool.

Williamson, Clive; A.C.A., 1958; 167 Middleton Road, Banbury, Oxon.

Willing, Jeremy George; A.C.A., 1958; with Whinney, Smith & Whinney, 8 Newhall Street, Birmingham, 3.

Wilson, Alan James; A.C.A., 1958; with Alfred Brown & Co, Bank Chambers, Wilmslow, Cheshire.

Wilson, John Kenneth; A.C.A., 1958; with Spicer & Pegler, 19 Fenchurch Street, London, EC3.

Wilson, William; A.C.A., 1958; 8 Eversleigh Place, Throckley, Newcastle upon Tyne.

Windsor, John Frederick; A.C.A., 1958; with H. W. West & Co, Leadenhall House, 101 Leadenhall Street, London, EC3.

Winn, Michael; A.C.A., 1958; with Wildash & Co, 23 College Hill, London, EC4.

Winston, Brian Cunningham; A.C.A., 1958; with Joshua Wortley & Sons, 8 Paradise Square, Sheffield, 1.

Wise, Colin Arthur; A.C.A., 1958; 1051 Anlaby High Road, Hull.

Wise, Frank Stuart; A.C.A., 1958; 'Lyndale', Church Lane, Kirk Ella, Hull.

Wise, Trevor Melvin; A.C.A., 1958; 60 Sevington Road, Hendon, London, NW4.

Wissa, Mohsen Ernest Zaki, M.A.; A.C.A., 1958; 4 El Adel Abu Bakr, Zamalak, Cairo, Egypt.

Wolf, Geoffrey Michael; A.C.A., 1958; 15 Cecil Close, Mount Avenue, London, W5.

Wood, Charles Raymond; A.C.A., 1958; 31 North Allerton Road, Otley Road, Bradford, 3.

Woodhead, Anthony John Keith; A.C.A., 1958; with Norton, Slade & Co, 453 Salisbury House, London Wall, London, EC2.

Woodhead, Edward Robert Adrian; A.C.A., 1958; with F. W. Popplewell & Son, 48/50 Mosley Street, Manchester, 2.

Woolcott, Michael John Macdonald; A.C.A., 1958; with Kay, Keeping & Co, 51 New Cavendish Street, London, W1.

Woolfson, Philip, B.A.(ECON.); A.C.A., 1958; 26 Greystones Avenue, Sheffield, 11.

Wray, Michael John; A.C.A., 1958; 103 Hartland Drive, Ruislip, Middlesex.

Wreford, Simon George; A.C.A., 1958; Langtons Meadow, Farnham Common, Buckinghamshire.

Wright, John Clark; A.C.A., 1958; with Brown & Piper, 56 John Street, Sunderland.

Wright, Michael David; A.C.A., 1958; 29 St Martin's View, Chapeltown Road, Leeds, 7.
Yearsley, Geoffrey Bradburn; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 71 King Street, Manchester, 2.
Yeomans, Joseph, B.A.; A.C.A., 1958; 8 The Boulevard, Rhyl, Flintshire.
Yeoward, Peter; A.C.A., 1958; Porthlow, Ness, Wirral.
Yorke, Raymond Horace; A.C.A., 1958; 48 Quarry Brow, Upper Gornal, near Dudley, Worcestershire.
Young, Alexander, B.COM.; A.C.A., 1958; with Sewell, Hutchinson & Co, Cross Keys House, 56 Moorgate, London, EC2.
Young, Kenneth Albert; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London, EC2.
Young, Peter George; A.C.A., 1958; with de Paula, Turner, Lake & Co, 17 Coleman Street, London, EC2.
Young, Peter William; A.C.A., 1958; 40 Colliers Water Lane, Thornton Heath, Surrey.
Young, Ronald; A.C.A., 1958; 24 Wingrove Road, Fenham, Newcastle upon Tyne, 4.
Zatman, Merton Sydney; A.C.A., 1958; 4 Meadfoot Avenue, Prestwich, Lancs.
Ziegler, Harvey Malcolm; A.C.A., 1958; 'Byways', Guildford Drive, East Horsley, Surrey.

Use of Letters F.S.A.A.

Applications from the following incorporated accountant members A.S.A.A. to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the supplemental Charter were acceded to:

Jones, Stanley Alexander; (1958); A.S.AA., 1948; (*Jones, Schwartz, Fine, Kane & Co.), P.O. Box 1640, Salisbury, S. Rhodesia.
Ward, Cyril William; (1958); A.S.A.A., 1942; Borough Treasurer, County Borough of Great Yarmouth, Municipal Offices, Great Yarmouth.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from ten members of the Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Charter. All the new members have been notified. The total number of members now admitted under the scheme is 10,023.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

British Public Finance and Administration 1774–92; by J. E. D. Binney. Oxford. 1958. (Clarendon Press, 45s.)
Company Planning and Production Control: the story of a manufacturing company. (Organization for European Economic Co-operation.) Paris. 1958. (O.E.E.C., 6s.)
The Concise Law of Housing; by W. A. West. 1955. (Estates Gazette, 32s 6d.)
Economic Arithmetic; by R. Marris. 1958. (Macmillan, 28s.)
Electronics in Action: the current practicality of electronic data processing. (American Management Association.) New York. 1957. (A.M.A., 30s.)
The French Law as to "Private Limited Company": ("Société a Responsabilité Limitée"); by P. Pellerin and J. Pellerin: Second edition. 1956. (Stevens, 7s 6d.)
A Management Guide to Electronic Computers; by W. D. Bell. New York. 1957. (McGraw-Hill, 50s 6d.)
Managing Geographically Decentralized Companies; by G. A. Smith. Boston. 1958. (Harvard University, 28s.)
A New Approach to Office Mechanization: integrated data processing through common language machines: the U.S. Steel Corporation program. (American Management Association.) New York. 1954. (A.M.A., 20s.)
Parish Administration; by C. Arnold-Baker. 1958. (Methuen, 42s.)
Pioneering in Electronic Data Processing: company experience with electronic computers. (American Management Association.) New York. 1956. (A.M.A., 30s.)
Proceedings: Automatic Data Processing Conference . . . 1955; (ed.) by R. N. Anthony. Boston. 1956. (Harvard University, 28s.)
Who Owns Whom. (O. W. Roskill & Co (Reports)). 1958. (O.W.R., 84s.)
Wurtzburg's Building Society Law; by E. A. Wurtzburg: Eleventh edition by J. Mills and B. J. H. Clauson. 1958. (Stevens, 50s.)

From Society Library

Arithmetic fairly laid open: or, The Trader's Sure Guide . . .; by John Gore. Liverpool. 1769.
Book-keeping Methodiz'd: or, a methodical treatise of Merchant-Accompts according to the Italian form . . .; by J. Mair. Dublin. 1750.
  Eighth edition. Dublin. 1767.
Book-keeping new modelled: or, a Treatise of Merchants Accounts, according to the true Italian method of debitor and creditor . . .; by William Hamilton. Edinburgh. 1735.
A Complete Treatise on Practical Arithmetic and Book-keeping . . .; by Charles Hutton. Seventh edition. 1785.
  Ninth edition. 1792.
  Twelfth edition. 1806.
A Complete treatise on Practical Book-keeping . . .; by J. Morrison. Second edition. Edinburgh. 1810.
The Elements of Book-keeping by single and double entry . . .; by J. Morrison. (c. 1850.)
An Essay on Book-keeping, according to the true Italian method . . .; by William Webster. Twelfth edition. 1755.
The Expeditious Accountant; or, cyphering . . . (mercantile computations); by Nicholas Salomon. 1774.
An Introduction to Merchants' Accounts, or, commercial book-keeping . . .; by W. Tate. 1810.
Jackson's complete system of Practical Book-keeping, by single and by double entry . . .; by (G.) Jackson. 1843.
The School-master's Guide: or, a complete system of practical arithmetic and Book-keeping . . .; by Charles Hutton. Third edition. 1771.
The Science of Book-keeping exemplified in Jones's English Systems of single and double entry . . .; by E. T. Jones. Fourth edition. 1834.
Sedger's Rudiments of Book-keeping . . . in two parts . . .; by John Sedger. 1779.
Sherwin's Mathematical Tables . . . containing Dr Wallis's Account of Logarithms . . .with the explication and use prefixed; by—Sherwin. Fifth edition by S. Clark. 1771.
Tables for renewing and purchasing of the Leases of Cathedral-Churches and Colleges . . .; (by Sir Isaac Newton.) Fifth edition. 1735.
A True Estimate of the value of Leasehold Estates . . . in answer to . . . Sir Isaac Newton's tables . . . (Anonymous). 1731.
Mr Wingate's Arithmetick: containing a plain and familiar Method . . . of Common Arithmetic; by E. Wingate. Fourteenth edition by J. Kersey. 1720.
The Young Book-keeper's Assistant: shewing him, in the most plain and easy manner, the Italian way of stating debtor and creditor; . . .; by Thomas Dilworth. Twelfth edition. 1790.
  New edition. 1815.
  New edition. 1853.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

New Examination Centre

As indicated in the Institute's announcement under 'Official Notices' on another page, a new examination centre is being opened in Cardiff for the Intermediate and Final examinations to be held in November 1958.

The Secretary of the Institute informs us that any candidate who has already been accepted for any other centre is invited to notify him at Moorgate Place, London, EC2, if it is desired to transfer to the Cardiff centre.

The address of the new centre is: The Temple of Peace, Cathays Park, Cardiff.

PERSONAL

Messrs Cayzer & Co, Chartered Accountants, announce that as from September 30th, 1958, they will cease to practice at 27 John Adam Street, London, WC2. The practice will be continued at 35A High Street, High Wycombe, Bucks, only.

Messrs Eric Phillips & Co, Chartered Accountants, of 31 King's Road, Sloane Square, London, SW3, announce that on September 1st, 1958, Mr N. V. S. Nielsen, A.C.A., practising as Nielsen & Co, became a partner in Eric Phillips & Co. The practices have been amalgamated and will in future be carried on under the name of Eric Phillips & Co.

Messrs Booth, Anderson & Co, Chartered Accountants, of Newbury and London, announce that Mr M. D. Booth, F.C.A., a founder-partner of the firm, is retiring from the London practice at 2–3 Norfolk Street, London, WC2, on October 1st next. The London practice will be continued by Mr J. W. Skelsey, F.C.A., and Mr R. B. Drummond, A.C.A. Mr Booth will continue to practice at 1 Bridge Street, Newbury, in conjunction with Mr W. J. Barber, C.A.

The death is announced of Mr Leonard Eteson, F.C.A., a partner in the firm of Messrs Cryer & Kitchen, Chartered Accountants, of Keighley, Yorkshire. Although he had been ill, Mr Eteson appeared to have made a good recovery and his death, while on holiday in Scotland, comes as a shock to his many friends and business associates.

Messrs Stanley A. Spofforth & Co, Chartered Accountants, of Clifford's Inn, Fleet Street, London, EC4, Worthing, Chichester and Storrington, announce that Mr Jeremy David Spofforth, A.C.A., and Mr Peter Brian Johnson, A.C.A., have been admitted to partnership as from September 5th, 1958. The name of the firm remains unchanged.

PROFESSIONAL NOTE

Mr Allan Fowlie, C.A., formerly accountant to the Angus Hospitals Board of Management has been appointed accountant to Edinburgh Royal Infirmary and Associated Hospitals Board.

OBITUARY

Rupert Sladen, F.C.A.

We announce with regret the death on September 5th of Mr Rupert Sladden, F.C.A., formerly senior partner of Messrs Josiah Beddow & Son, Chartered Accountants, of Eldon Street, London, EC2.

Mr Sladden was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1910. He served with the Ministry of Munitions during the First World War and in 1919 was elected a Fellow of the Institute. In that year he joined Josiah Beddow & Son with whom he remained until his retirement in March 1956.

He was a prominent Freemason being a member of La Tolerance Lodge.

PRESENTATION TO SIR HALFORD REDDISH, F.C.A.

Sir Halford Reddish, F.C.A., chairman and managing director of the Rugby Portland Cement Co Ltd, was recently presented with a silver cigarette box by the employees of the company's Rochester works as a token of their appreciation of his twenty-five years' leadership of Rugby Cement.

BUSINESS COMPUTER SYMPOSIUM

The final programme of the Business Computer Symposium to be held in association with the Electronic Computer Exhibition at Olympia, London, from December 1st to 3rd, shows some changes, mainly of timing, from that originally formulated, published in our issue of August 23rd.

The papers to be presented at Sessions 4 and 5 on the Tuesday afternoon and Wednesday morning are transposed and a new item, 'Electronics in banking', arranged by the Clearing Bankers' Electronic Subcommittee, replaces 'Electronic data processing', by Mr A. J. Brookbank in Session 3 on the Tuesday morning.

It is now announced that the Rt. Hon. the Viscount De L'Isle, V.C., P.C., D.L., M.A., A.C.A., President of the Office Management Association, is to be the chairman at the Wednesday morning session. Mr H. J. Furness, F.C.W.A., President, The Institute of Cost and Works Accountants, will preside on Wednesday afternoon.

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THE INSTITUTE OF INTERNAL AUDITORS

London Chapter

The London Chapter of The Institute of Internal Auditors opens its 1958–59 programme with a meeting to be held at *The Kingsley Hotel*, Bloomsbury Way, London, WC1, on Wednesday next, September 17th, at 12.30 p.m., when Mr C. E. Sutton, A.C.A., F.C.W.A., of the Metal Box Co Ltd, will speak on 'Material supply control'.

Meetings are preceded by lunch or dinner. The remainder of the programme is as follows:

October 8th, 6.30 p.m.: 'Establishing an internal audit function', by Mr R. E. Palmer, A.A.C.C.A., group internal auditor, E.M.I. Ltd.

November 5th, 12.30 p.m.: 'Internal audit in a large organization', by Mr E. S. L. Vincent, A.C.A., British Overseas Airways Corporation.

December 5th, 10 a.m.: Day conference.

January 7th, 1959, 12.30 p.m.: 'Logical thinking', by Mr R. Jacobs, A.I.S., R.S.S., Shell Petroleum Ltd.

February 4th, 6.30 p.m.: 'Inspectorate control in a large bank', by Mr S. A. Gregory, B.COM., assistant chief accountant, Westminster Bank Ltd.

March 4th, 12.30 p.m.: 'Work study in the office', by Mr H. H. Longman, O. & M. Department, Unilever Ltd.

April 1st, 6.30 p.m.: 'Some aspects of controllership', by Mr J. R. Robinson, A.C.A., A.C.I.S., controller, The Rio Tinto Co Ltd.

May 6th, 12.30 p.m.: 'Items of current interest', by Mr H. C. Booth, C.A., President, Manchester Chapter, The Institute of Internal Auditors.

June 10th, 6.30 p.m.: Annual general meeting.

The London Chapter was founded in 1948; there are at the present 120 members. There are two classes of membership: (*a*) *Members*, being open to persons who are responsible in a managerial or supervisory capacity for the internal auditing activities within their organization; (*b*) *Associate members*, being practising accountants and others whose work is closely related to internal auditing and who cannot qualify as members. The Institute is not an examining or qualifying body and its members do not use designatory initials.

The secretary of the Chapter is Mr R. P. Tester, c/o Unilever Ltd, Unilever House, Blackfriars, London, EC4. Telephone: Central 7474.

Manchester Chapter

The first meeting of the newly-formed Manchester Chapter will also be held next week – on Tuesday – when Mr W. J. Smith, C.A., chief internal auditor, British Overseas Airways Corporation, and European Regional Vice-President of the Institute of Internal Auditors will give an address on 'Stores audit in an organization that employs full-time stock checkers'. The meeting will be held at the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, at 7 p.m. Mr H. C. Booth, C.A., chapter president, will take the chair.

Thereafter meetings will be held on the third Tuesday in each month and the programme is as follows:

October 21st, 7 p.m.: 'Internal auditing in practice – the scope of my job', by Mr A. P. Whyte, C.A., chief internal auditor, M.A.N.W.E.B.

November 18th, 7 p.m.: 'Human relations in industry' by Mr H. H. Blanchard, manager, Staff and Training Dept., Associated Ethyl Co Ltd. (To be held in Liverpool.)

December 9th, 7 p.m.: 'Relationship and co-ordination between the statutory auditor and internal auditor', by Mr J. A. Brown, C.A., senior partner, Messrs Thomson McLintock & Co, Manchester.

January 20th, 1959, 7 p.m.: 'Storage and handling of materials', by Mr A. Simms, divisional purchasing and stores controller, National Coal Board (NW. Division).

February 17th, 1959, 7 p.m.: Panel discussion on pre-set questions submitted by members.

March 17th, 1959, 7 p.m.: 'The education and training of the aspiring accountant', by Mr R. Sidebottom, B.A.(COM.), A.A.C.C.A., A.I.M.T.A., lecturer in accounting, Manchester University.

April 21st, 1959, 7 p.m.: To be advised later. By President of the London Chapter of the Institute of Internal Auditors. (To be held in Nottingham.)

May 26th, 1959, 7 p.m.: Annual general meeting, followed by 'Internal auditing in practice – the scope of my job', by Mr J. Campbell, C.A., chief internal auditor, North Western Gas Board.

Further information of the activities of the Chapter may be obtained from the secretary, Mr R. S. Rossiter, divisional internal auditor, Shell-Mex & B.P. Ltd, Shell B.P. House, 7 Oxford Road, Manchester, 1.

Proposed Newcastle Chapter

As already announced (see last week's issue), a meeting is to be held at 7.30 p.m. on Thursday, September 25th at *The County Hotel* (opposite the Central Station), Newcastle upon Tyne, for the purpose of forming a new Chapter in that area.

The meeting will be attended by Mr W. J. Smith, C.A., European Regional Vice-President of the Institute, and Mr J. O. Davies, F.C.A., A.C.W.A., President of the London Chapter, and all those who are interested and conform to the qualifications mentioned in the note above relating to the London Chapter, are invited to attend.

TAX INSPECTORATE VACANCIES

This autumn the Civil Service Commission is holding a supplementary competition for H.M. Inspectors of Taxes in the Inland Revenue Department, by which it is hoped to fill about fifty vacancies. There will be no written examination but all candidates must have a degree with at least Second-Class Honours. The age limits (21–31) have been so fixed as to attract particularly those who, after a few years in another career, may feel that they are not in the right niche and would be glad to be considered for a post in the Inspectorate. The Inspectorate offers an interesting career and good prospects; there are, for example, nearly 700 posts in this class with a maximum salary of over £2,000 a year.

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Life Assurance Relief

THE provisions for relief from income tax in respect of life assurance premiums have always been complicated. The complications seem to have resulted in an unwitting change of the law by the draftsman of the consolidating Income Tax Act, 1952.

The position at the beginning of the Second World War was that there was an omnibus provision under which a person paying premiums was entitled to relief at 'the appropriate rate', which varied with total income. Then a series of provisos restricted the relief: no allowance was to be made on payments beyond one-sixth of total income; the allowance on a policy securing a capital sum at death was not to exceed tax at the appropriate rate on 7 per cent of the sum assured; and finally, in respect of post-1916 policies, relief was not to be given at more than half the standard rate.

In the desperate days of 1940, soon after Dunkirk, when the standard rate had reached the unprecedented figure of 8*s* 6*d*, the relief was restricted. The 'appropriate' rate was to be arrived at by reference to an assumed standard rate of only 7*s* in the £.

The resulting jumble gave rise to special difficulties when P.A.Y.E. was introduced. Vast numbers of wage-earners carry small industrial assurance policies, the annual premiums totalling less than £10. Computing relief at 3*s* 6*d* in the £ in such cases was a task entirely disproportionate to the sums involved. Accordingly changes made by Section 29 of the Finance Act, 1948, were intended to simplify administration, but were couched in language which has given rise to widespread uncertainties typified in a letter which appears under 'Correspondence' in this issue.

The section applied only to premiums on policies entered into after June 22nd, 1916. In such cases the 'appropriate rate' was to be two-fifths of the standard rate 'irrespective of the total income of the claimant'.

The obscurity was created by Section 29 (3), which was as follows:

> '(3) If, in any year of assessment the total premiums to which this section applies[1] in respect of which relief falls to be granted under the said Section 32[2] in respect of those premiums shall, instead of being a deduction of tax at the appropriate rate on the amount of the premiums, be a deduction of tax at the standard rate on ten pounds or on the full amount of the premiums, whichever is the less.'

What is meant by the phrase 'premiums . . . *in respect* of which relief falls to be granted' and by the phrase 'the full amount of the premiums'? In the past it has been assumed that these phrases related to the premiums after applying the 7 per cent restriction. However, it does not seem that such a construction can logically be sustained; the phrases must mean the premiums before that restriction.

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[1] i.e. premiums on contracts made after 1916.

[2] i.e. of the Income Tax Act, 1918.

It follows that the 7 per cent restriction had no application where the total premiums did not exceed £25. On the other hand, where the total premiums did exceed £25, then the fact that the 7 per cent restriction effectively reduced them to less than £25 did not attract the operation of Section 29 (3).

The question then arises whether the Income Tax Act, 1952, changed the law in the process of consolidating it. It seems that there was such a change. In the 1952 Act, post-1916 policies are dealt with separately in Section 219. Other policies, and certain compulsory payments, are dealt with by Section 225, while a third section, 226, imposes restrictions on the reliefs under both heads.

Section 219 (1) confers relief at two-fifths of the standard rate on the premiums but contains a proviso that if the total premiums do not exceed £25 in the year, the relief shall be at the standard rate on £10 or on the actual premiums if less. However, Section 226 (2) provides that no relief under Section 219 shall exceed tax at the appropriate rate on 7 per cent of the capital sum assured.

This restriction must apply equally whether the case is within the main part of Section 219 (1) or whether it is within the proviso to that subsection. Suppose a taxpayer pays £10 a year on a £57 policy and has no other insurance. Section 219 (1) (proviso) gives him relief at the standard rate on £10 but Section 226 (2) cuts it down to relief on £4, i.e. on 7 per cent of the sum assured. In other words, the immunity of the under-£25 premium case from the 7 per cent restriction was taken away in 1952, no doubt unwittingly. However, it would seem from the letter referred to above that the Inland Revenue are now treating such cases as immune from the restriction, presumably as a concession. On the other hand, it is still true to say that if the total premiums exceed £25, then the case cannot be brought within the proviso to Section 219 (1) simply because after a 7 per cent restriction the 'allowable' premiums are less than £25. It is curious that the explanatory notes enclosed with the official forms of return for 1958–59 point the other way.

The Changing Ownership of Industry

by GORDON CUMMINGS, A.C.A.

ONE interesting and significant post-war economic trend is the steady diversification in the ownership of public companies. Heavy death duties and taxation have brought about severe reductions in large holdings. Full employment and high wage levels have helped to open the gates of the Stock Exchange to a vast number of 'small' investors. Certain companies encourage employee-ownership by offering shares on special terms or paying annual bonuses in equity shares. And, far from least of the influences, the London Stock Exchange has made a number of practical gestures to encourage the small investor by opening a visitor's gallery, well-planned public relations designed to explain the 'mysteries' of such investment and compiling panels of stockbroking firms catering for the small man.

The extent to which ownership of stock exchange securities, and particularly equity shares, is spreading is unfortunately a matter of some guess-work. There are no nation-wide censuses giving the annual, or even quinquennial facts. On the other hand, thanks to some enlightened pioneers, we are beginning to get an insight into the make-up of the ownership of individual companies. A tiny but happily growing and representative number of the 4,825 companies whose loan, preference or equity capitals are quoted on the London Stock Exchange is giving useful data. This extends from a simple statement of the number of holders of each class of issued capital, to much more detailed and informative analyses of the size of holdings and classification of owners.

While not claiming that the list is complete, some interesting information is obtainable from the data published in recent months by thirteen well-known companies, either in their annual reports or, showing the value of such facts in countering misleading ideas about ownership, in special versions of annual reports prepared for the information of employees. With only one fact common to all – the number of stock-holders – the data comes from a diversified little group of companies whose size, as measured by net assets totalling more than £1,100 million, ranges from under £10 million to the £545 million of Britain's largest company, Imperial Chemical Industries. The adjacent Table I gives totals and averages covering their net assets, issued equity capital, number of stockholders and average nominal value of holdings.

Outstanding Facts

Outstanding facts thrown up by this summary are that:

(1) Allowing for duplication through individual holdings in more than one of the thirteen companies, these enterprises have a very large overall number of equity owners.

(2) With a 'low' of £170 for Associated Commercial Vehicles and a 'high' of £1,087 for Stewarts and Lloyds, the average nominal value of holdings is only £500.

(3) Based on the admittedly fewer facts available, the number of owners is growing and their average holding is falling.

Of the thirteen companies, two giving the most detailed analyses are Metal Industries and Associated Electrical Industries, the former leading by a short head with a more detailed summary of shares owned by individuals. As the Metal Industries analysis approaches the ideal, it is worth setting out the figures in tabular form, the only addition to the version published in the annual report being the average holding for each category of owner. Table II gives the figures.

TABLE I
EQUITY OWNERSHIP OF THIRTEEN COMPANIES

Company	Net Assets	Issued Equity Capital	Equity shareholders	
			Number	Average Holding
	£'000	£		£
Associated Commercial Veh.	13,660	2,087,500	12,282	170
Associated Electrical Ind.	116,786	33,639,483	70,434	478
Associated Portland Cement	69,546	20,000,000	26,000	769
Babcock and Wilcox ..	33,247	7,524,398	20,500	367
Burmah Oil	72,160	41,209,540	71,400	577
Imperial Chemical Industries	545,219	144,233,090	261,663	551
Ind Coope & Allsopp ..	39,370	10,779,256	25,592	421
Metal Industries	9,822	3,900,000	6,310	618
Richardsons Westgarth ..	12,160	5,910,876	8,536	692
Ruston & Hornsby	17,933	6,150,000	9,306	661
Stewarts and Lloyds ..	84,934	20,000,000	18,395	1,087
Thomas Tilling	17,117	4,592,521	8,561	536
F. W. Woolworth & Co ..	69,753	33,750,000	93,000	172
Totals and Average Holding	£1,101,707	£333,776,664	631,979	£500

NOTES:

(1) All figures are those at the respective balance sheet dates or annual reports and they do not therefore take account of subsequent scrip or other issues of equity stock.

(2) F. W. Woolworth & Co average holding is based only on the 47·3 per cent, or £15,963,750, of the ordinary capital not held by the American parent.

(3) The average holding for all companies likewise takes account only of the publicly held ordinary capital of F. W. Woolworth; e.g. the overall average is calculated on a total of £315,990,414.

TABLE II
METAL INDUSTRIES STOCK OWNERSHIP

Category	Number of Equity Holders	Per cent of Total Holders	Amounts held	Per cent of Equity held	Average Holding
INDIVIDUALS, holding:			£		£
£ 1– 500	5,202	82·44	1,080,137	27·70	208
501–1,000	562	8·91	418,720	10·74	745
1,001–5,000	182	2·89	338,340	8·67	1,859
5,001 and over	16	0·25	394,656	10·12	24,666
Sub-total	5,962	94·49	2,231,853	57·23	374
INSTITUTIONS:					
Insurance companies ..	44	0·70	685,951	17·59	15,590
Investment trusts ..	79	1·25	208,795	5·35	2,643
Pension funds	17	0·27	91,750	2·35	5,397
Banks and nominee companies	170	2·69	641,886	16·46	3,776
Limited companies ..	38	0·60	39,765	1·02	1,046
Sub-total	348	5·51	1,668,147	42·77	4,794
GRAND TOTAL	6,310	100·00	3,900,000	100·00	618

The value of the Metal Industries analysis is enhanced by the addition of data about individual holdings ten years earlier – at March 31st, 1948. This shows that the number of individual investors has risen from 3,842 to the above-mentioned 5,962, the biggest change being in the £1–£500 sector – from 3,434 to 5,202 – and the number of over £5,000 holders has more than halved, from 37 to 16. At March 31st, 1948, the issued ordinary capital was £2,451,412. Thanks to the courtesy of Sir Charles Westlake, chairman of the company, it is possible to carry the 1958 facts still further by the addition of the number of women stockholders. Towards the end of April last, there were 2,689 married women, spinsters and widows on the ordinary stock registers. Of the total, it could thus be said that 5 per cent were institutional investors, 52 per cent men and 43 per cent women.

Associated Electrical Industries also increases the value of its analysis by the addition of details for a decade earlier. Table III shows how the equity capital was held as at December 1957.

TABLE III

Category	Holdings		Holdings		Average Holding
	Number	Per cent	Overall	Per cent	
			£		£
Insurance companies ..	277	0·39	6,357,108	18·90	22,950
Investment trusts ..	364	0·52	1,445,675	4·30	3,972
Pension funds	127	0·18	813,722	2·42	6,407
Banks and nominee companies	2,148	3·05	5,416,739	16·10	2,522
Limited companies ..	665	0·94	1,451,314	4·31	2,182
Sub-total	3,581	5·08	15,484,558	46·03	4,324
Individual members ..	66,853	94·92	18,154,925	53·97	272
Total Holders ..	70,434	100·00	£33,639,483	100·00	£478

Compared with the corresponding figures for December 1947, when the £6 million of ordinary capital was in the names of 10,343 holders, the outstanding facts are that although the ratios are little changed, the numbers have multiplied more than sixfold from 538 institutional and 9,805 individual members; the amount of stock owned by individuals has risen from 35·68 per cent of the total to 53·97 per cent and the average holding from £218 to £272; the overall average has declined from £580 to £478.

Stewarts and Lloyds

An analysis made in November 1957 of the holdings of Stewarts and Lloyds' 20 million £1 ordinary shares showed an increase to 18,395, from 12,217 in June 1954, and that the overall average per member was £1,087. In November last, 17,370 individuals held over 47 per cent of the equity capital, while a further 17 per cent was in the names of nominees, 'who can be taken as holding shares on behalf of individuals'. Insurance companies, pension funds and investment trusts made up the bulk of the institutional holders. Again, though investments of 500 shares or less were owned by 12,622 members, the largest single holding was one of under 5 per cent of the total belonging to the Prudential Assurance Co and the second largest that of the Church Commissioners for England, who own under 2 per cent.

It is of moment to record here that in 1955 the Metal Box Co made a very detailed analysis of the ownership of the company's ordinary, preference and loan capital at three different dates – March 1931, 1938 and 1955. Amongst the facts revealed was that there had been a substantial shift in the *proportions* held from the big individual investor – in this case over £100,000 by market value – to the small investor, pension funds and insurance companies. It is to be hoped that it will not be long before the Metal Box Co brings up to date its pioneering effort – the figures should make interesting reading.

Associated Commercial Vehicles makes a useful contribution by detailing not only the number of holders of various amounts of the £2,087,500 ordinary capital at September 30th, 1957, but also adding the amounts and percentages of stock held in each category. The figures are as under:

TABLE IV

Nominal Value of Holdings	Number of Holders	Stock Held	Per cent of Total	
			Holders	Stock
		£		
Up to £100	8,851	414,621	72·0	19·9
£101 to £500	3,091	659,344	25·2	31·6
£501 to £1,000	199	163,570	1·6	7·8
£1,001 to £5,000	109	296,798	0·9	14·2
Over £5,000	32	553,167	0·3	26·5
Total	12,282	£2,087,500	100·0	100·0

Burmah Oil Co has taken another intriguing line in a delineation of the ownership of its preference and ordinary capital. A graph tracing the growth of the issued capital from around £1 million in 1902 to its present £45·2 million brings out such facts as that the number of stockholders has increased in fifty-five years from about 2,000 to nearly 80,000; since 1940 their number has virtually doubled; and since 1954 the increase has been from about 51,000. Taking the £41·2 million of ordinary capital alone, total holdings at the end of 1957 were 71,400, made up as to 55,040 owners with under £500 of stock, 9,590 with £501 to £1,000, 4,180 with £1,001 to £2,000, 1,820 with £2,001 to £5,000, 690 with £5,001 to £50,000, and 80 with over £50,000.

Woolworth's

In a partial analysis of the ownership of its 135 million 5*s* ordinary units at December 31st, 1957, F. W. Woolworth & Co discloses that it has over 93,000 stockholders, roughly equivalent to the population of Ipswich. More than 13,000 stockholders own less than 100 units, well over 66,000 hold 500 units or less and 52·7 per cent of the ordinary capital is held by the American parent company. Of the other companies included in Table I, Ind Coope & Allsopp, Richardsons Westgarth, and Ruston & Hornsby give analyses according to nominal value of equity holdings.

Because of the different degrees of data provided it is not possible to produce a detailed overall summary of sizes of holdings. On the other hand it is possible to set out for seven of the companies the number of holdings of £500 or less of equity stock and their ratio to total stockholdings. Together with the overall average stockholding, these are the results:

TABLE V

Company	Total	Stockholdings		Overall Average
		£500 or less	Per cent of Total	
				£
Associated Commercial Vehicles	12,282	11,942	97·2	170
Burmah Oil	71,400	55,040	77·1	577
Ind Coope & Allsopp	25,592	22,045	86·2	421
Metal Industries	6,310	5,202	82·4	618
Richardsons Westgarth	8,536	6,836	80·1	692
Ruston & Hornsby	9,306	6,904	74·2	661
Stewarts and Lloyds	18,395	12,622	68·6	1,087

Holdings in British Iron and Steel

About a year ago the British Iron & Steel Federation assembled information on the ownership of eleven denationalized steel companies at dates which, unfortunately for a single complete picture, varied from September 29th, 1956, to July 12th, 1957. Still, the salient facts emerging from this worth-while effort, were that:

(*a*) the combined ordinary capital of £100,934,000 was owned by 207,185 stockholders;

(*b*) only some 12 per cent of stockholders owned more than £500 of equity capital, 38 per cent having not more than £100 each and a further 50 per cent between £101 and £500 worth;

(c) holders of £100 or less of stock owned 5·8 per cent of the equity capital, those with £101 to £500, 26·3 per cent and those with £501 to £1,000 11·9 per cent;

(d) the proportion of the share capital of eight of the companies held by the ten largest stockholders included insurance companies 6·6 per cent, the Church Commissioners for England 1·4 per cent and pension funds 0·3 per cent.

Indirect Investment

Another important trend in the change of ownership of public companies is the *indirect* participation of tens of millions of individuals through their contributions to life assurance, pension funds and other similar forms of savings or provision for retirement. Though there are no means of exact measurement of such investment and its growth, it is known to be increasing at a substantial, and probably accelerating, pace.

So far as insurance companies are concerned, figures compiled by the British Insurance Association show that whereas the total book value of their investments increased more than threefold from £1,671 million in 1937 to £5,149 million in 1957, the amount in equities expanded almost sixfold from £150 million, or 9·0 per cent, to £886 million, or 17·2 per cent. Simultaneously, though the proportion declined from 25·4 per cent of the total to 22·2 per cent, the amount invested in debentures, loan stocks, preference and guaranteed stocks and shares rose from £424 million in 1937 to £1,134 million in 1957. While it is impossible to ascertain what proportion of these equity and prior charge investments relate to United Kingdom public companies, it is possible – and worth the effort – to make a guess, however rough and perhaps wide of the mark.

For this I take the above composite figures of insurance company investments in 1957 and the annual analysis of company securities quoted on the London Stock Exchange as at March 31st, 1958; the difference in dates should make little difference to the accuracy of this exercise. Taking equities first, the total nominal amount quoted on the Stock Exchange was £5,280 million and the market value £13,579 million. The major difficulties when trying to estimate the proportion represented by the insurance company holdings with their balance sheet value of £886 million, are, of course, that the Stock Exchange totals include shares of mining, plantation, or other companies in which the investment is certainly non-existent or negligible; many hundreds of small or medium-size companies outside the insurance investment orbit; and, on the other hand, their portfolios include securities not quoted on the London Stock Exchange.

Likewise, there is no information about the nominal amount or market value of the insurance companies' equity holdings. However, it can be computed, at a very tentative guess, that these equal 16·8 per cent of the Stock Exchange total nominal amount, 6·5 per cent of the latest market valuation, and, to complete this interesting exercise, 9·4 per cent of the average of the two figures. On which basis it must surely be reasonable to assume that insurance company overall investment in the equities of the main groups of companies concerned – banks, discount houses, breweries and distilleries, commerce and industry, insurance itself, financial and investment trusts, steel, oil, property, shipping, public utilities and communications – is at least 6½ per cent of the total issued capital and possibly anything from 10 per cent upwards.

Applying similar arbitrary measures to prior charge securities, the Stock Exchange totals are £2,890 million nominal value, £2,182 million market value at March 31st, 1958, and an average of £2,536 million – on which bases the insurance company ratios are as much as 39·3 per cent, 52·0 per cent and 44·7 per cent, respectively.

Pension Fund Participation

Such *indirect* investment by individuals is, of course, apart from similar and, possibly the faster-growing, participation by pension funds whose numbers, membership and resources are constantly expanding, and which combined must be seeking investment outlets for many millions of pounds a month. Quite recently under the lead of Manchester, larger local authorities are – it is a noteworthy sign of the times – now taking powers to invest superannuation fund moneys in equities.

Finally, to return to published details of the ownership of individual public companies, it is to be hoped that many, if not all, will soon join the tiny band of pioneers. It is, of course, only fair to acknowledge the fact that some boards of directors may think the time and cost involved not worth the effort, or that it would be unwise to make such information easily available. As to the first objection, the secretary of one large company stated that with the aid of punched cards the operation required little time or effort and that a great variety of useful data was thereafter obtained very quickly.

Shortcomings of the Companies Act, 1948–I

by C. ROMER-LEE, M.A., F.C.A.

Introductory

'ALL that is human must retrograde if it does not advance' wrote Edward Gibbon in his *Decline and Fall of the Roman Empire.* The truth of this sentiment was perhaps never more clearly apparent than when the forces of freedom and independence were battling with the attempts of retrogression and repression to enslave the world during the Second World War. When struggling for its very existence this country found the time and resources to give birth to such documents as the Education Act of 1944, the Beveridge Report on Social Insurance and Allied Services and the Cohen Committee Report on Company Law Amendment. The will to advance humanly as a result of the war-time struggle was very strong and indeed a necessary concommitant to the certainty as to the outcome of the war which was a conviction almost universally held by the people of the United Kingdom and its allied countries.

Mr C. Romer-Lee

2. It is not surprising in view of the conditions prevailing that when developments of such importance were given birth the form in which they appeared was not as complete as might have been desired. On the contrary, the wonder is that so much was accomplished under such adverse conditions. Fortunately, it is not my duty in this paper to expound on the merits or drawbacks of either the Welfare State or the state of education in this country. It is, though, interesting to remind ourselves that the Companies Act, 1947, as subsequently embodied in the consolidating Act of 1948, had its origin in the wave of liberal thinking evident in this country during the latter part of the Second World War and so forms part of the dream of the 'brave new world' that figured as one of the major objectives of the war.

3. The title of this paper 'Shortcomings of the Companies Act, 1948' could give endless opportunities for destructive criticism of company legislation as we now have it, and naturally I shall have to refer to the parts of the Act which are of nebulous, doubtful or even ambiguous construction. I hope, however, to make some suggestions as to how these unsatisfactory features of the Act might be remedied, but in doing so, I would remind you that it is impossible to teach mathematics without making reference to the number nought.

4. In preparing this paper I have found it convenient to marshal my material under two main headings, and the paper therefore falls naturally into two sections. In Part I I shall discuss matters which have been omitted from the Act and which are noticeable by their absence, while in Part II I shall refer to sections of the Act which are nebulous, doubtful or ambiguous and try to give some views on how their meanings might be clarified.

5. At this point, however, it is only fair to state that many people have given much thought to possible amendments to the Act and so I do not take credit for the originality of the suggestions which follow. This fact is brought out by the three memoranda which were submitted to the Board of Trade by the Institute in 1949, 1951 and 1952. These are reproduced as Appendices A, B and C respectively and I shall refer later to some of the matters which they contain.

PART I

Associated Companies

6. In dealing with groups of companies the Act is fairly clear in its definition of a holding company and a subsidiary, as given in Section 154 (1):

> '154 (1) For the purposes of this Act, a company shall, subject to the provisions of subsection (3) of this section, be deemed to be a subsidiary of another if, but only if:
> (*a*) that other either:
> (i) is a member of it and controls the composition of its board of directors; or
> (ii) holds more than half in nominal value of its equity share capital; or
> (*b*) the first-mentioned company is a subsidiary of any company which is that other's subsidiary.'

Although the term 'holding company' does not appear in the above definition the omission can be

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The first part of an address delivered at the summer course of The Institute of Chartered Accountants in England and Wales, at Oxford, on September 5th.

excused by the title of the section which is: 'Meaning of "holding company" and "subsidiary".' Having described a subsidiary it is presumed that the owner of a subsidiary must be the holding company. The conditions precedent to the relationship of holding company and subsidiary are that the holding company

(1) must be a member of the subsidiary; and
(2) either
  (*a*) must control the composition of the board of the subsidiary; or
  (*b*) must own more than half the nominal value of the subsidiary's equity capital.

One company is therefore not a subsidiary of another merely because the latter has the power to control the composition of its board of directors. It must be 'a member of it' which presumably means that it must hold at least one share and that such share must be registered in its own name. I do not believe that registration of a share in the name of a nominee constitutes membership for the purpose of Section 154 (1) (*a*) (i), even though properly drawn up blank transfers and letters of trust are in existence.

7. This is a comparatively unimportant point when deciding the membership of a group of companies. What is of far more importance is the position of those companies which are under the same management and yet are not subsidiaries even though they may form definite parts of the group's structure. Such relationships include:

(*a*) companies with a substantial number of common shareholders;
(*b*) companies which hold 50 per cent of the equity of another company and do not have the power of controlling the composition of the board.
(*c*) companies which have a substantial shareholding in another company, but without the power of controlling the composition of the board and such holding in practice gives the power of control.

8. It is virtually impossible to suggest a method by which companies falling under any of the above categories should legally be regarded as members of a group, and it is for this reason that the phrase 'Associated Company' appears in some balance sheets. This term has no legal significance and is not defined under the Act and I do not therefore believe that an auditor could insist on showing separately investments in or indebtedness to or by such companies. However, in his assessment of whether the balance sheet showed a true and fair view of the state of the company's affairs, he would have to pay particular attention to the materiality of such assets and to the financial stability of such associated companies when considering the terms of his report.

9. One possible way in which the Act could be extended would be to require disclosure as a separate heading in a company's accounts of investments which consisted of substantial holdings (possibly 20 per cent or more) of the equity in other companies. This would cover the third class of relationship to which I have referred above, but by itself would not constitute a satisfactory definition of an associated company.

Shares of no Par Value

10. Shares of no par value are not mentioned in the Act and their issue is precluded by Section 2 (4), the relevant part of which provides that 'in the case of a company having a share capital – the memorandum must also, unless the company is an unlimited company, state the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount'.

11. In 1952, as a result of considerable public discussion, the President of the Board of Trade appointed a committee under the chairmanship of Mr Montagu L. Gedge, Q.C., 'to consider whether it is desirable to amend the Companies Act, 1948, so as to permit the issue of shares of no par value; and, if so, to consider and report what amendments in the Act should be made for this purpose, having due regard to the need for safeguards for investors and for the public interest'. This committee reported on January 14th, 1954, the majority report being signed by seven of its members, and contained a minority report signed by a trade union member. Paragraph 11 of the majority report reads as follows:

> 'Our conclusion is that there is a strong case for permitting the issue of ordinary shares of no par value, and, as will be seen later, we so recommend. It seems to us that the concept of such shares is a logical development of company law and practice; and we consider that the objections which have been raised, are either ill-founded or met by our recommendations.'

On the other hand Mr W. B. Beard, O.B.E., wrote in paragraph 2 of his minority report:

> 'My colleagues have based their analysis of the proposals for the introduction of no par value shares on the assumption that the change would raise purely technical issues. In adopting this standpoint they have, in my opinion, attached undue weight to the views and wishes of professional investors. I, on the contrary, start with the assumption that it is necessary to look beyond the technical framework with which the Committee have circumscribed their view, and attach far more importance than they appear to do to the likely impact and effect of such a change upon the interests of workers and small shareholders.'

12. These two points of view speak for themselves, but so as to indicate some of the reasons underlying the two reports, I have included, as Appendix E to this paper, the conclusions both of the majority and minority reports. My own view veers to that of the majority report, one of my main reasons being the illogical situation which is produced by the expression of dividends as a percentage of the nominal value of a share, when such nominal value may have been established at a time when the value of the currency was very different and before substantial reserves had been accumulated. I would like to see the Act

amended so as to allow companies to issue shares of no par value.

Nominee Shareholdings

13. In their report on Company Law Amendment the Cohen Committee recommended legislation whereby the beneficial owner of 1 per cent or more of any class of shares issued by a company would have to declare his interest to the company if his shares were registered in the name of a nominee. There was considerable opposition to this recommendation mainly from stockbrokers, bankers and other owners of nominee companies, on account of the amount of extra work involved and the anticipated difficulty of getting people to comply with such a requirement. Even the fine of £500 or six months' imprisonment (or both) for non-compliance, suggested by the Committee, was not thought to be a sufficient deterrent to those who were determined to evade such provisions in the Act.

14. One would think that a beneficial owner who had nothing to hide would not object to the disclosure of his interest in any holdings registered in nominee names, and in principle I would have thought that shareholders and the public are entitled to know the names of holders of a substantial number of shares in any company. I would, therefore, like to see the full recommendations of the Committee on this subject embodied in a future amendment to the Act.

Reserves

15. I am treating this subject as one of those upon which the Act is silent, as it seems to me that the definitions of 'reserve', 'capital reserve' and 'revenue reserve' given in paragraph 27 (1) of the Eighth Schedule are so negative as hardly to amount to definitions at all. The wording is as follows:

> '27 (1) (*b*) the expression "reserve" shall not . . . include any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets or retained by way of providing for any known liability;
>
> (*c*) the expression "capital reserve" shall not include any amount regarded as free for distribution through the profit and loss account and the expression "revenue reserve" shall mean any reserve other than a capital reserve;
>
> and in this paragraph the expression "liability" shall include all liabilities in respect of expenditure contracted for and all disputed or contingent liabilities.'

Unsatisfactory though these definitions may be, it is by no means easy to offer satisfactory alternatives. There are, however, some thoughts on the subject which may be worthy of consideration.

16. To begin with, the word 'reserve' is misleading to the ordinary person. It conjures up visions of large sums of cash accumulated in a bank 'reserved' for the payment of dividends in years when profits fall. In point of fact, this concept is almost invariably wrong, as reserves usually represent profits or surpluses retained in the business and used in it for expansion, being employed in the form of fixed assets, stocks, work in progress or debtors. In some future amendment to the Act I would like to see the word 'reserve' dropped and replaced by the use of suitable descriptions incorporating for instance the phrase 'profits (or earnings) retained in the business'.

17. Developing this idea a little it is possible to divide all reserves or profits retained in the business into two categories; those which are legally distributable as dividends if the financial position permits and those which are not. The Act already forbids the distribution by way of dividend of the share premium account and the capital redemption reserve fund and I would suggest that there be added to the list any unrealized surpluses on revaluation of fixed assets not arising from over-depreciation in the past. Anything else in the nature of reserves as we understand them at present is a surplus of assets over subscribed capital and liabilities which, in theory, is distributable to the shareholders in the form of dividends.

18. When considering surpluses on revaluation of assets the question naturally comes to mind as to the position when the revalued asset has been completely written off out of profits earned after the date of the revaluation. It is undesirable to distribute unrealized surpluses which have arisen mainly from a revaluation. However, once the asset which gave rise to the unrealized surplus has been removed from the books I can see no reason for regarding the surplus, which arose originally from a book-keeping entry, as not available for distribution in the form of dividend.

19. As for what are now known as revenue reserves it seems to me that the Act gives the wrong lead when, in paragraph 12 (1) (*e*) of the Eighth Schedule, it speaks about 'the amount, if material, set aside or proposed to be set aside to, or withdrawn from, reserves'. Inasmuch as all revenue reserves are available for distribution as dividends, it seems quite unnecessary to separate them under a number of headings, e.g. contingency, dividend equalization, stock or general. I would much sooner see them all left under one heading, even if that heading was called nothing more than the conventional 'Balance carried forward on profit and loss account'. There are possible alternative descriptions widely used in the United States of America of 'Earned surplus' and 'Earnings retained in the business', which could be considered for use in a future amendment of the Act, the latter to my mind being an apt description.

20. It is true to say that in spite of many attempts no satisfactory title has so far been devised to describe briefly profits retained in a business and it may be that we should abandon all efforts to do so and just stick to the factual phrase 'Earnings retained in the business'. In this way we could avoid the use of the word 'reserve' altogether.

21. It will, however, always be necessary where relevant to indicate those profits retained in the business which are not legally available for distribution as dividends. I would like to suggest, therefore, that in a future amendment to the Act there should be no reference to the phrases 'capital reserve' and 'revenue reserve'. Balance sheets could then contain a general heading such as 'Profits retained in the business', which would be divided into those not available for distribution as dividends and the balance carried forward on profit and loss account. Certain information relating to the surpluses which are not distributable (e.g. share premium account, capital redemption reserve fund and movements during the year) would still be given as at present, either on the face of the balance sheet or in a note. All profits available for distribution (or losses) would be shown in the profit and loss appropriation account for the year in which they arose; perhaps this would not be a bad development inasmuch as they relate to events occurring during the year, even though they may not have arisen through trading operations.

The Profit and Loss Account

22. Before setting out to discuss what single items should or should not be disclosed in a company's profit and loss account, I think it as well to consider the purpose such an account is meant to fulfil.

23. Without going into the deeper significations of responsibility and control, the practical state of affairs is that the shareholders appoint the directors to run their business for them. That being the case the directors have a duty periodically to account to the shareholders for their stewardship. A generally accepted convention (embodied in Section 148 of the Act) requires such an accounting to be done annually, although there may be good reasons in some cases why the accounting could be done at more or less frequent intervals. The period, however, is irrelevant to the basic undisputed fact of the accountability of directors.

24. The amount of information which is divulged in the course of accounting for their actions is one upon which boards of directors hold widely differing views. It is true, however, to say that in the last thirty years the tendency has been to give more and more detail in published accounts. Before 1929 it was not uncommon to find profit and loss accounts remarkable for the absence of what is now regarded as essential information. The Companies Act, 1929, did something to remedy this state of affairs, but still left much latitude to directors. It was not until the Act of 1948 that it became obligatory to give information under certain specified headings of income, expenditure and appropriations. The items which have to be shown separately in the profit and loss account are set out in Section 196 of the Act and paragraphs 12 to 14 of the Eighth Schedule.

25. The effect of the requirement to show separately such unconnected items of expense as depreciation, directors' emoluments and auditors' remuneration is that many profit and loss accounts start with a figure which can be meaningless and which is often described simply as 'Trading profit'. Sometimes further description is added to indicate that this opening figure is struck 'before charging or crediting the items set out in this account'; in other cases a figure of profit is shown 'after charging the following' and there is then set out a list of the charges which the Act requires to be disclosed separately.

26. This situation has arisen because those who framed the Act were concerned with the disclosure of certain items of expense and income. They considered that the shareholders had a right to be given certain information but they were equally concerned that the drafting of the remainder of the accounts should be left to the initiative and judgment of the directors and auditors. They evidently did not consider, for instance, that the concept of directors' accountability required the disclosure of turnover and gross profit on sales. I am aware that many industrialists in this country hold the opinion that their business would suffer if the publication of turnover was compulsory. It is held that disclosure of this information would help competitors and provide no corresponding benefit in return. Far be it from me as a practising accountant to suggest that experienced men in industry do not know what is good and what is not good for their businesses, but I have often thought that this view has been expressed with unnecessary rigidity.

27. Outside this country there is positive evidence that business men do not find any embarrassment in disclosing figures of turnover, cost of sales, gross margins and other items of expenditure suitably condensed under appropriate headings. In the United States of America for example it is compulsory under the rules of the Securities and Exchange Commission to give figures of net sales in statements filed with the Commisson under the Securities Act of 1933, the Securities Exchange Act of 1934 and certain similar Acts of Congress. In India it is obligatory for a company to publish a profit and loss account which discloses an immense amount of detail. Reference to Part II of Schedule VI of the Indian Companies Act, 1956, shows that the information to be disclosed includes turnover, selling agents' commission, purchases of raw materials, gross income derived from services, repairs, salaries, wages and bonus, rent, insurance, rates and taxes. I am not advocating that our Companies Act should be amended so as to follow either American or Indian practice; I quote developments in these two countries to illustrate current trends of thought overseas some aspects of which may ultimately find their way into amendments to our legislation. It is only fair to add, however, that in 1952 both in South Africa and Southern Rhodesia Companies Acts were passed which incorporate provisions very similar to those in our 1948 Act as regards the profit and loss account. Interestingly enough there are indications that even in this country important companies are beginning to give

some broad figures of turnover even though these sometimes only appear in the chairman's statement.

28. Although being in favour of a company revealing its turnover in accounts, I am by no means an advocate of it being made legally compulsory to do so. The question is riddled with difficulties, particularly for companies carrying on business as contractors or engineers who may take five years or so to complete one particular contract. What, for instance, is the turnover in any one year of a shipbuilding company which takes three years to construct a large tanker? And it must be remembered that figures would have to be available for inclusion in the accounts covering the early periods of the contract, when even the final selling price may not have been ascertained.

29. All the same there are many businesses where it is possible to arrive at the turnover with substantial accuracy and I would like to see more cases where this figure is disclosed. I do not believe that by such a practice any information would be given away which would be of value to competitors; on the other hand I do believe that shareholders have a right to be able to satisfy themselves that the best use is being made of the money which they have invested in the business. If it is not possible to incorporate satisfactory legislation to this end in the Companies Act – and that may indeed be the case – then perhaps the Stock Exchange, London, could require this information to be included in prospectuses or statements in lieu before a quotation is granted, on similar lines to the requirements of the Securities and Exchange Commission in the United States of America.

30. I have dealt at some length with the subject of turnover because by disclosing it I feel that the remainder of the profit and loss account is put into proper perspective. The figures that really matter, I suggest, in a profit and loss account are:

Turnover;
Profit after all expenses (including depreciation) and before taxation;
Taxation;
Profit after taxation;

All other information is of limited interest and is best disclosed in the form of a note given elsewhere in the statement of accounts.

Accounts after Liquidation

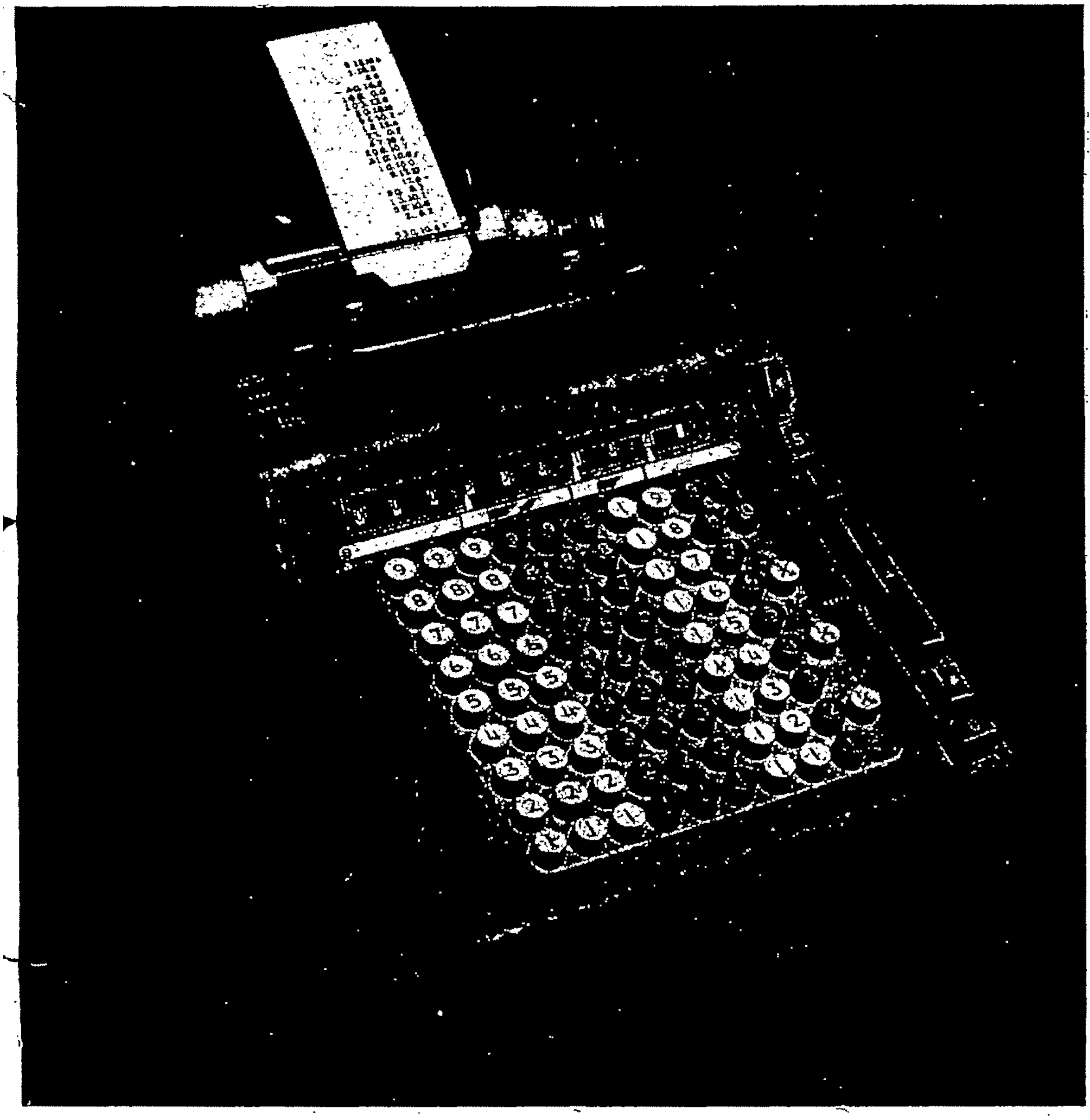
31. Considering the insistence of the Act on the preparation and audit of the accounts of all kinds of companies, it is strange to find that once liquidation has begun these requirements become very hazy. It is as though the reforming zeal of successive Parliaments had lagged when it came to the sordid and unrewarding business of winding up. In a voluntary winding-up a liquidator is indeed required by Sections 289 and 299 to lay before members an annual account of his acts and dealings and of the conduct of the winding-up; also by Sections 290 and 300 on termination of the liquidation he has to make up an account showing how the winding-up has been conducted and the property of the company disposed of. In a creditors' voluntary winding-up these accounts must also be laid before creditors (see Sections 299 and 300). There is, however, no requirement for audit in a voluntary liquidation unless the Board of Trade so directs under Rule 201 of the Companies (Winding up) Rules, 1949 (which were made under Section 365 (1) of the Act) – an event that rarely happens. In a Court liquidation in England the liquidator's cash-book is audited by the committee of inspection under Rule 174, and his account of receipts and payments is audited by the Board of Trade as laid down in Section 249, but the ritual is usually confined to vouching payments.

32. The fact that there are usually no accounts available for a company in liquidation sometimes gives rise to difficulties in preparing consolidated accounts where a subsidiary is in liquidation. There seems to be no reason why a normal form of audit should not be required by the Act in a members' voluntary liquidation, although I would hesitate to recommend that one should be compulsory in a liquidation under the Court or in a creditor's winding-up.

33. More important, perhaps, the requirements of the Act are unsatisfactory in regard to the preparation and audit of the accounts for the final period from the date of the last published accounts to the date of the beginning of the liquidation. Directors must lay audited accounts before the members at least once in every calendar year but they are not in a position to call meetings for that purpose after the appointment of a liquidator. Annual returns (except the liquidator's returns) are not required to be filed with the Registrar of Companies after liquidation begins, and there is thus a gap in the official records for the final period. Yet the transactions at this time when the directors may well have taken steps vitally affecting the interests of members and creditors, would seem to call particularly for audited accounts.

34. Another curious feature relates to statements of affairs. In a Court winding-up, a statement of affairs and deficiency (or surplus) account must be prepared as at the date of commencement of liquidation (Section 235). In a members' voluntary winding-up, a statement of assets and liabilities must be made up 'as at the latest practicable date' and embodied in the declaration of solvency made by the directors (Section 283). But in a creditors' voluntary winding-up, although a statement of affairs (and list of creditors) must be laid before the creditors at their first meeting (Section 293) there is no requirement that it be made up to any particular date or that a copy be filed at the Registry. These are strange omissions which should be rectified.

35. In an insolvency, the lack of assets may be a compelling reason why the preparation and audit of accounts for the last financial period before liquidation is impracticable. The liquidator and his committee of inspection must weigh the cost against the



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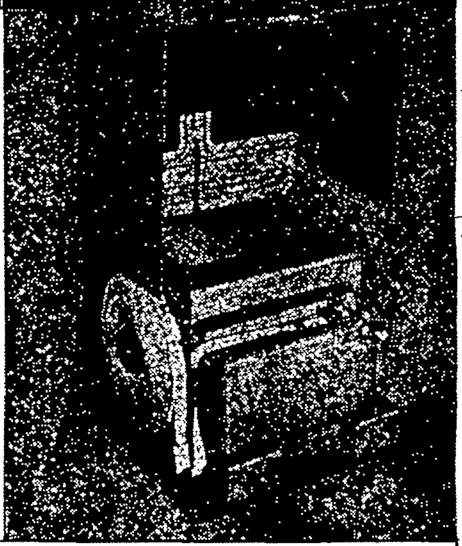

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resources available and the likelihood that investigation would yield tangible results in the shape of fresh assets. But where the company is solvent, audit requirements should apply to the final period equally with any other period and the Act should provide for this, subject to a power of dispensation by the Board of Trade in special circumstances.

36. It should be added that where funds allow liquidators do sometimes arrange for audited accounts to the beginning of liquidation to be laid before members and if necessary creditors. This commendable practice deserves to be more widespread.

Responsibility of Auditors with regard to Group Accounts

37. Paragraph 4 of the Ninth Schedule requires an auditor to report on the group accounts where a company submits such accounts, Section 18 of the Eighth Schedule provides that 'the consolidated accounts shall . . . comply so far as is practicable, with the requirements of the Act as if they were the accounts of an actual company', and Section 152 (1) reads thus:

> '152 (1) The group accounts laid before a company shall give a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with thereby as a whole, so far as concerns members of the company.'

38. Does the Act give the auditor any right to inquire into facts underlying the accounts of subsidiaries? If he does not audit these himself he has so far as I am aware no statutory right to demand any information relating to them other than that shown in their accounts. Where there are sub-groups he may even have to rely on the consolidated accounts of the sub-group when examining the consolidated balance sheet and profit and loss account of the holding company. In practice his difficulty is usually appreciated and most clients take the view that their auditors should have access at least to such information as they themselves have relating to the accounts of subsidiaries. Instances occur, however, when a holding company may have very little knowledge of the affairs of a subsidiary in which case the holding company's auditor may be in a difficult position. On the other hand there are many groups which require each subsidiary to prepare detailed accounts (sometimes signed by the auditors) giving all the information necessary to prepare consolidated accounts for the holding company. All the same the auditor of a holding company has no statutory authority to make any inquiries relating to the accounts of a subsidiary and it would seem desirable that the Act should be amended to give him the necessary authority to obtain such information.

Changing Values of Money

39. A criticism often voiced against accountants is that they are concerned too much with historical facts and do not pay enough attention to present-day conditions. This criticism has to some extent been disarmed by the greater use of figures as an aid to management and as a means of forecasting the expected progress of a business in the future.

40. In the years immediately following the war great readjustments of values took place, with consequent reductions in the purchasing power of money, giving rise to what is known as inflation. During this period many people went to great pains to point out that accounts drawn up on a basis of historical cost were not only meaningless, but definitely misleading. There were suggestions that 'they' – that wonderful word used so often as a means of passing responsibility to the unknown – should do something about it. I do not feel that it is within my province to expand in this paper on the merits or de-merits of abandoning historical cost as the basis of accountancy. These were fully dealt with by the Institute in Recommendations on Accounting Principles No. XV, entitled *Accounting in Relation to Changes in the Purchasing Power of Money*, dated May 30th, 1952.

41. It is, however, worthy of remark that since the rate of inflation has been slowing down the critics of historical cost have become noticeably less voluble – indeed one begins to wonder whether, if there should be a general fall in prices, they would be prepared to put their arguments into reverse.

42. It is to be supposed that the nebulous 'they', who should have taken action on this point, included Parliament who ought to have produced legislation which might conceivably have taken the form of an amendment to the Companies Act. It would, all the same, be stretching the imagination rather far to label as a shortcoming of the Act the fact that it did not include clauses designed to lay down procedures for accounting in times of inflation. To my mind it would be impossible to do so and I very much hope that no such attempt will be made. I would go further and say that I find it very difficult to depart from the view that, in general, accounts should only be prepared by reference to historical cost. I say 'in general' because I would not preclude the revaluation of fixed assets so long as they were written up only by an amount which was considered to represent the measure of the permanent depreciation of the currency, if indeed any reliable method were available to ascertain that position.

43. When profits have been ascertained by reference to historical cost (as I feel they should be) it is perfectly legitimate, and will almost certainly be necessary, to set aside and retain in the business part of these monetary profits in order to preserve the capital of the business, which would otherwise be dissipated due to the reducing value of money.

44. Perhaps, however, criticism of the nebulous 'they' was directed more at the Inland Revenue Authorities in the hope that a revision might be forthcoming of the capital allowances for taxation.

(To be continued.)

Weekly Notes

Hire-purchase Controls Relaxed

THE Government released a wide range of goods from hire-purchase control on Tuesday of this week. The main categories affected are industrial plant and agricultural equipment, buses and heavy commercial vehicles, furniture, carpets, cookers, motor cycles, bicycles and radio and television sets. A uniform deposit rate of 33⅓ per cent and a maximum repayment period of twenty-four months are to remain in force for goods still under control. In the case of goods where a reduction in deposit has taken place, some deposits have come down from 50 per cent to 33⅓ per cent and some which were at 33⅓ per cent or 20 per cent have had the deposit removed completely.

The reduction has been made at the present time partly for reasons of public policy and partly to prevent the hire-purchase business from being under an artificial disadvantage in competing with the banks who are now offering competition in the same field. So far as public policy is concerned, the Government is trying to steer a middle course between the dangers of inflation and those of deflation. It has chosen to stimulate consumer goods expenditure (but not motor-cars which are already coming off at a record rate) and therefore indirectly the capital goods industries which supply the former with plant and equipment. The Government has let it be known, however, that this dismantling of controls is not intended to signify that the domestic market for consumer goods has any priority over the external situation. The defence of sterling remains the top priority of economic policy.

No Change in Mortgages

A STATEMENT was issued at the end of last week by the Council of the Building Societies Association to say that no change was recommended in rates paid to investors or in those charged to borrowers. The demand for mortgages is still at a very high level but the volume of new funds coming in is not sufficient to satisfy more than about two-thirds of those seeking mortgages.

The building society movement is in a dilemma. It can reduce the rate of mortgages only if it could also reduce the rate offered to investors. There is no immediate prospect that the situation will change. There are other media available for the investor who places security of capital high on his list of requirement for investment. There is little prospect that these alternative avenues of investment will become less competitive to building societies in the immediate future.

It may be that relief will come on the demand side more quickly than in the supply of funds. At the moment, the likelihood of the disappearance of the queue for mortgages seems at least as unlikely as a sufficiently large reduction in interest rates to affect the public's investment habits with small savings. It cannot be ruled out, however, that the queue may shorten in length, long as it may have been for several years, if interest rates further fell or if new and attractive methods of financing the purchase of houses were suddenly available. New methods of financing the purchase of consumer durable goods have been made available with remarkable suddenness over the summer months and something as sudden might happen in housing, distant as the prospect may be at the moment.

O.E.E.C. and Double Tax Relief

THE Organization for European Economic Co-operation has published an interesting booklet on *The elimination of double taxation.*[1] It consists mainly of a report of the Fiscal Commmittee of the Organization, a committee set up in 1956 to study fiscal questions relating to double taxation and other fiscal questions of a similar technical nature. The report stresses that because of the lack of uniformity in double tax conventions a good deal of uncertainty and difficulties of interpretation arise. As double tax relief is an essential ingredient of maximum economic co-operation, the committee has been working on a model draft convention and has reached agreement on four important articles for inclusion in the model. These deal respectively with the listing and definition of the taxes to be covered by the convention, the definition of the concept of 'permanent establishment', the concept of what the committee calls 'fiscal domicile', and what in the United Kingdom would be called 'residence', and finally the prohibition of tax discrimination on the grounds of nationality. This last is not, strictly speaking, a matter of double taxation, but all conventions should ideally contain a provision under which the nationals of both parties enjoy equal treatment in so far as the laws of either party discriminate on grounds of nationality.

The model articles are set out *in extenso* and are accompanied by very detailed commentaries which are particularly illuminating. At a meeting held in July of this year the Council of O.E.E.C. recommended member countries to adopt the articles drafted by the Fiscal Committee, and instructed them to notify the Council of all new or revised bilateral conventions. The Council also instructed the Fiscal Committee, *inter alia*, to submit to the Council, before July 1st, 1961, a draft convention for the avoidance of double taxation with respect to taxes on income and capital, as well as concrete proposals for the implementation of that convention. A noticeable provision in the article for defining taxes on profits and income is the inclusion of municipal taxes, which represents a departure from the attitude normally adopted by the British revenue authorities.

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[1] Obtainable from H.M.S.O., price 5*s*.

Another publication of O.E.E.C. is a large and handsome glossary of terms used in international trade and payments and in national accounts, giving the French and English equivalents. The glossary was originally prepared for the use of O.E.E.C.'s own translators and deals with the more difficult words and phrases. It is obtainable from H.M. Stationery Office, price 12*s* 6*d*.

The August Trade Gap

LAST month the external trade gap was only £33·4 million. It compared with a figure of £39·7 million for July when overseas trade was recovering from delays caused by the London dock strike. Imports fell by 10 per cent and exports by 9 per cent over the month and this slightly smaller relative fall in exports was sufficient to take just over £5 million off the adverse visible trade balance.

Comparison of the figures for the last two months is affected by the London dock strike and partly by the fact that August is always a difficult month to assess because of the impact of the holidays. Despite this fact, the figures for last month did not dispel the growing impression that the export position is becoming increasingly difficult. So far this year exports have fallen off by 4 per cent compared with a year ago. During the first three months of the year they were only 2 per cent below the corresponding period of 1957. It would therefore appear that the slightly worsening situation in exports has been gathering some momentum as the year has gone on.

Fortunately, the increased difficulty in selling exports has coincided with a low value of imports. These are still benefiting from the comparatively low level of world commodity prices (although some of these have improved in recent months). The other side of this penny, however, is that low commodity prices are bringing a reduced purchasing power for British exports in the countries which export them. It is likely that the end of the American recession will improve the economic position of primary producing countries but the process of amelioration may bring economic difficulties to this country since the terms of trade may move against us more quickly than exports can recover.

Busy Shops

ACCORDING to the Board of Trade official retail sales figures published this week, the retail trade did fairly well in July. Sales were 3 per cent higher on the year and the rate of increase established in the first half of the year compared with the first half of 1957 was therefore maintained.

The important change in July was that prices in that month were lower than a year earlier and therefore the whole of the increase in sales was attributable probably to an increase in volume. Sales of clothing and footwear showed an increase of 3 per cent on the year with footwear doing rather better than clothing. The increase in the value of sales of foodstuffs was 2 per cent and it is probable that this reflected a decline in food prices.

Turnover of household goods continued at a little above last year's level. Prices in this section were little altered on those for July 1957 so there is some indication that the public are spending comparatively more on durable goods. In this connection it is of interest that the Midland Bank's new loan service to customers is being used primarily for the purchase of motor-cars, other consumer durables and house repairs and new decorations. This increasing interest in consumer capital goods is to be expected when purchasing power continues to increase and foodstuff prices are stable. The interest of the public in durable goods is now in marked contrast to the somewhat uncertain prospects of those capital goods industries making industrial equipment. At the moment, with the consumer goods industries and the capital goods industries showing divergent trends the outlook for the economy as a whole in the winter and coming spring is exceedingly difficult to forecast.

Conference at Montreal

THE Commonwealth Economic Conference at Montreal opened last week-end with an agenda which was still primarily concerned with the international liquid position and the need to find capital for under-developed areas. It is something of a tribute to the intransigence of these two problems that they have stayed firmly at the head of the list although the international economic climate has changed significantly since the conference was suggested.

The pound is very much stronger than it was last autumn and the economy of India is very much weaker. The American recession has now passed the worst although there is some disagreement as to how long the United States economy will take to climb back to a state of prosperity. The free trade area in Europe about which there was so much discussion in Commonwealth circles last year remains a pious hope and the European common market has become a political and economic fact.

In spite of these changes the need to provide liquid resources to finance world trade remains of paramount importance. The improvement in sterling has probably killed off any prospects there may have been that the Americans would agree to an increase in the price of gold. The prospects however are that if the Commonwealth countries can produce constructive proposals for reinforcing the resources of the World Bank and the International Monetary Fund, these will have an important influence on the discussions of these two institutions at Washington later this month.

Finance and Commerce

'Current Year'

DAVY & UNITED ENGINEERING COMPANY LTD, whose accounts we reprint this week, heads the columns of figures in its consolidated profit and loss account 'Current year' and 'Previous year'. There is no doubt about the meaning intended but if we are not to have the actual accounting dates at the top of the columns – and there is something to be said for not having them – then 'Last year' and 'Year before', or something similar, would surely be more appropriate.

'Current year' has an accepted meaning and should not be given two meanings. Mr D. F. Campbell, the company's chairman, himself says that 'the current development programme, costing about £3 million, will be coming progressively into operation during the next few months'. The company has just made a debenture issue and is just making a rights issue to provide the money. Other chairmen, in their annual statements, refer to conditions in the 'current' year – the year following the accounts under review.

So let 'current year' remain what we have always understood it to be.

20 per cent Up

ORDINARY shareholders in British Industrial Plastics Ltd, are informed that group profits for the nine months to June 30th, 1958, were more than 20 per cent in excess of those for the corresponding period of the immediately preceding financial year. The occasion is a rights issue of 2½ million ordinary shares of 2*s* each at 4*s* 6*d* in the proportion of one for every six held.

But the last quarter of the financial year to September 30th, 1957, the description of profits continues, was an exceptionally good one and the 20 per cent improvement for the first three-quarters of the year will not, in the directors' view, be maintained for the full year. They express confidence, however, that the results for the year as a whole should be no less favourable than those for the previous year and in the absence of unforeseen circumstances, they intend to recommend a final dividend of 12½ per cent on the increased capital.

In its general form, this new issue of capital by a company to its shareholders follows current practice – but current practice is woefully behind the times. To

DAVY AND UNITED ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANY
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1958

	Current Year		Previous Year	
	£	£	£	£
PROFIT BEFORE DEDUCTING ITEMS MENTIONED BELOW		1,310,422		641,642
Depreciation and amounts written off Fixed Assets	175,208		137,742	
Auditors' Remuneration	1,980		2,200	
Interest on Loans (Gross)	47,140		41,329	
Additional Provision for Contingent Claims	61,931		—	
		286,259		181,271
		1,024,163		460,371
Add: Provision for Contingent Claims no longer required		—		3,289
PROFIT SUBJECT TO TAXATION		1,024,163		463,660
Deduct: Taxation (estimated) on profit for the year to 31st March, 1958:				
Profits Tax	93,000		60,850	
Income Tax	398,898		161,818	
		491,898		222,668
PROFIT AFTER TAXATION		532,265		240,992
Retained by Parent Company	520,265		220,992	
Retained by Subsidiary Company	12,000		20,000	
Deduct: Proposed appropriation—Parent Company—				
Dividend of 20 per cent. per annum for the year ended 31st March, 1958, *less* Income Tax		130,197		97,647
		402,068		143,345
Add:				
Balance at 1st April, 1957	111,474		133,604	
Tax provisions of previous years no longer required	13,370		4,525	
		124,844		138,129
		526,912		281,474
Deduct: Appropriations—				
Plant and Machinery Replacement Reserve:				
Parent Company	38,000		30,000	
Subsidiary Company	12,000		20,000	
	50,000		50,000	
Group Income Tax Initial Allowances Equalisation Reserve	54,000		20,000	
General Reserve	250,000		100,000	
		354,000		170,000
BALANCE carried to Balance Sheet (Revenue Reserves—Note 5)		£172,912		£111,474

DAVY AND UNITED ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANY

CONSOLIDATED BALANCE SHEET at 31st MARCH, 1958

ASSETS	31st March, 1958 £	£	£	31st March, 1957 £	£	£
FIXED ASSETS—(Note 3)—						
Freehold and Leasehold Land and and Buildings		1,617,827			1,022,047	
Plant, Machinery and Auxiliary Equipment		1,378,718			1,175,935	
Furniture and Vehicles		163,058			118,391	
		3,159,603			2,316,373	
Less: Payments received in advance of completion of sale of Park Iron Works ..		85,565	3,074,038		—	2,316,373
ASSOCIATED COMPANIES—						
Investments and Loan at cost ..			19,500			
NET CURRENT ASSETS—						
Current Assets:						
Work-in-Progress and Stocks ..	9,909,887			7,784,270		
Less: Amounts received on account of Work-in-Progress and advance payments on contracts	8,205,370			5,687,756		
	1,704,517			2,096,514		
Debtors and Prepayments ..	2,855,181			1,163,572		
Sinking Fund Policy	2,660			1,330		
Cash at Bank and in Hand ..	353,333	4,915,691		285,254	3,546,670	
Deduct:						
Current Liabilities and Provision:						
Current Liabilities:						
Creditors and Accrued Charges	2,133,996			1,153,133		
Bank Overdrafts	419,169			344,117		
Proposed Dividend, *less* Income Tax	130,197			97,647		
Taxation (including Income Tax 1957–58)	191,856			86,139		
	2,875,218			1,681,036		
Provision for Contingent Claims	144,393	3,019,611	1,896,080	116,174	1,797,210	1,749,460
ASSETS			£4,989,618			£4,065,833

CAPITAL, RESERVES AND LOANS	31st March, 1958 £	31st March, 1957 £
THE ASSETS of £4,989,618 are represented by—		
ISSUED CAPITAL—		
Stock in units of £1 fully paid .. .. .. (Authorised Capital—2,000,000 Shares of £1 each, convertible into Stock in units of £1 on issue)	1,132,146	1,132,146
CAPITAL RESERVES—(Note 4)	360,683	299,292
REVENUE RESERVES—(Note 5)	2,116,789	1,703,019
FUTURE TAXATION RESERVE—		
Estimated liability for Income Tax on profits for the year to 31st March, 1958	416,000	171,376
	4,025,618	3,305,833
LOAN STOCK—(Note 6)—		
5¾ per cent Unsecured Loan Stock 1962/76 ..	700,000	700,000
MORTGAGE LOAN (secured by a charge on a Freehold Building)—(Note 6)	264,000	60,000
	£4,989,618	£4,065,833

On behalf of the Board of Directors,

D. F. CAMPBELL } *Directors.*
M. A. FIENNES }

DAVY AND UNITED ENGINEERING COMPANY LIMITED AND SUBSIDIARY COMPANY

NOTES ON ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1958

1. CAPITAL EXPENDITURE COMMITMENTS not provided for in these accounts are estimated at £729,000 for the Group and £649,000 for the Parent Company.

2. DIRECTORS' REMUNERATION. Emoluments of Directors of Davy and United Engineering Company Limited are:—

	Year to 31st March, 1958	Year to 31st March, 1957
	£	£
In respect of:		
Services as Directors	2,200	2,200
Management Services including contributions paid under Pension Scheme	35,750	33,554
	£37,950	£35,724

3. FIXED ASSETS.

(i) No depreciation is provided on Land and the replacement of Auxiliary Equipment of Machine Tools is provided by way of renewals charged to revenue.

(ii) The Fixed Assets of the Parent Company are at cost or at valuation or book value at 1st April, 1935: Transfers of assets to or from Subsidiary Companies have been effected on the appropriate basis; there has also been transferred the accumulated depreciation.

(iii) The Fixed Assets in the Consolidated Balance Sheet are at cost or at valuation or book value at 1st April, 1935.

DAVY AND UNITED ENGINEERING COMPANY LIMITED BALANCE SHEET.

	31st March, 1958		31st March, 1957	
	£	£	£	£
Land and Buildings	1,527,486		806,521	
Less Depreciation	216,840	1,310,646	146,754	659,767
Plant, Machinery and Auxiliary Equipment	1,693,766		1,033,533	
Less Depreciation	594,435	1,099,331	348,992	684,541
Furniture and Vehicles	222,939		149,429	
Less Depreciation	82,598	140,341	57,836	91,593
		£2,550,318		£1,435,901

CONSOLIDATED BALANCE SHEET.

	31st March, 1958		31st March, 1957	
	£	£	£	£
Land and Buildings	1,869,103		1,239,111	
Less Depreciation	251,276	1,617,827	217,064	1,022,047
Plant, Machinery and Auxiliary Equipment	2,213,933		1,909,699	
Less Depreciation	835,215	1,378,718	733,764	1,175,935
Furniture and Vehicles	258,042		191,423	
Less Depreciation	94,984	163,058	73,032	118,391
		£3,159,603		£2,316,373

4. CAPITAL RESERVES.

	Group 1958		Parent Company 1958	
	£	£	£	£
Share Premium Account. Balance at 1st April, 1957 ..		164,449		164,449
Capital Reserve. Balance at 1st April, 1957	73,083		35,212	
Add:				
Transfer of Reserve arising from Consolidation at 1st April, 1957	61,760		—	
Surplus arising on Parent Company taking over Fixed Assets of former Subsidiary Company ..	—		79,671	
Profit on realisation of assets during year chiefly arising from sale of Subsidiary Company ..	61,391	196,234	61,391	176,274
		£360,683		£340,723

5. REVENUE RESERVES.

	Group 1958		Parent Company 1958	
	£	£	£	£
General Reserve		1,150,000		1,150,000
Plant and Machinery Replacement Reserve—				
Balance at 1st April, 1957	550,000		360,000	
Add:				
Transfer from Profit and Loss Appropriation Account	50,000		38,000	
Increase arising from sale of Subsidiary Company	—	600,000	78,000	476,000
Group Income Tax Initial Allowances Equalisation Reserve, being the estimated income tax relief of the Group at 31st March, 1958, on initial allowances on capital expenditure up to 31st March, 1958.. ..		173,000		173,000
Reserve for Pensions at 1st April, 1957	16,778		16,778	
Less: Expenditure during year	1,668	15,110	1,668	15,110
General Reserve in Subsidiary Company		5,767		—
Profit and Loss Account		172,912		172,912
		£2,116,789		£1,987,022

6. LOAN STOCK AND MORTGAGE LOAN. Since the date of the Balance Sheet the Loan Stock and the Mortgage Loan have been converted into and have become part of a larger issue of Debenture Stock.

7. FOREIGN CURRENCIES. These have been converted at the rates ruling at 31st March, 1958.

be able to say, for instance, that nine months' profits were more than 20 per cent up implies that the figures are available, as in any well-run business they should be. And if that be the case, why not state them?

Admittedly, it is not generally done. Few companies in this country yet issue half-yearly, let alone quarterly, figures. But if the figures are available, why not give them? There was the same hesitation in the past about presenting consolidated accounts and stating profits for the year. But the revolution has taken place, not without assistance from this column, and in due course we hope half-yearly and quarterly figures, now confined to boardrooms, will be given to shareholders.

Progressive opinion on this subject might more easily be accepted if, for a start, annual accounts included a quarterly break-down of the year's profit. Once it has become usual to see quarterly figures in print, it might not be so difficult to present them as soon as available.

Half-year's Accounts

A PROGRESS report has recently been issued for the first half of 1958 by Francis Sumner (Holdings) Ltd. This is an industrial holding company under the chairmanship of Mr C. L. Walker, F.C.A.

A *pro forma* consolidated profit and loss account for the six months is accompanied by a reasonably expansive half-year report. A list of the companies which make up the group is given which includes interests in dressing-gowns, quilting, candlewick, weatherproofs, die-castings, radio and television. The total cost of the acquisitions is given, the form and amount of the consideration, book value of the net assets at the date of acquisition, and the capital structure of the holding company.

In a review of trading conditions, it is emphasized that because of the seasonal nature of the greater part of the group's activities, a substantial amount of the profits is earned in the second half of the year. With the first half-year's figures now before them, however, shareholders at least have the satisfaction of knowing that the profits in the first six months have been fairly well maintained.

It is difficult, the report adds, to forecast trading conditions ahead, but the order books for the autumn season compare favourably with those for 1957.

Next Week's Reprint

The accounts of Keith, Prowse & Co Ltd will provide the reprint in next week's issue.

CITY NOTES

THE Commonwealth Economic Conference and the forthcoming meetings of the World Bank and the International Monetary Fund are at present the focal points of City interest. At the Commonwealth Conference, the United Kingdom's impressively strong balance of payments position has been emphasized and this, in conjunction with the firmness of sterling and the further improvement in sterling area gold and dollar reserves provides satisfactory basis for the optimistic economic forecasts now being made. If the I.M.F. meeting brings the anticipated strengthening of the Fund's resources, the stage could well be set for economic re-expansion by the turn of the year.

There is some slack to be taken up in the capital goods end of industrial activity and particularly in steel where freedom to export has found European markets extremely competitive and demand sluggish. Although the feeling in the steel industry is that the lifting of export restrictions was made too late there has not, as yet, been any major curtailment of steel development plans, although there has been some rephasing of programmes.

In the stock-markets where prospects of new year re-expansion have already been discounted to a considerable degree, the hire-purchase control changes have given the equity market a new lease of life.

The gilt-edged market has moved ahead on expectations of a further Bank rate cut.

A heavy volume of money is still moving into National Savings where the total sum remaining invested has increased by £30 million since the August Bank rate reduction.

RATES AND PRICES

Closing prices, Wednesday, September 17th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

July 11	£4 0*s* 3·79*d*%	Aug. 15	£3 14*s* 5·00*d*%
July 18	£4 4*s* 11·39*d*%	Aug. 22	£3 14*s* 2·47*d*%
July 25	£4 3*s* 2·26*d*%	Aug. 29	£3 15*s* 2·47*d*%
Aug. 1	£4 0*s* 2·49*d*%	Sept. 5	£3 14*s* 0·93*d*%
Aug. 8	£3 17*s* 3·63*d*%	Sept. 12	£3 13*s* 6·81*d*%

Money Rates

Day to day	2¾–3⅛%	*Bank Bills*	
7 days	3 –3⅛%	2 months	3–13/16 3⅞%
Fine Trade Bills		3 months	3–13/16 3⅞%
3 months	4½–5½%	4 months	3–13/16 3⅞%
4 months	4½–5½%	6 months	3 13/16–3 15/16%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 5/16–⅜	Frankfurt	11·68¾–·70
Montreal	2·74 5/16–⅜	Milan	1737½–8
Amsterdam	10·56⅛–¼	Oslo	20·00 –¼
Brussels	138·97½–·99	Paris	1175 –½
Copenhagen	19·33⅜–⅝	Zurich	12·19¾–⅞

Gilt-edged

Consols 2½%	51⅜xd	Funding 4% 60–90	88⅞
Consols 4%	75½	Savings 2½% 64–67	82¼
War Loan 3½%	68 9/16	Savings 3% 55–65	89¼
Conversion 3½%	67¼xd	Savings 3% 60–70	79½
Conversion 3½% 1969	85¾	Savings 3% 65–75	73⅝
Exc'quer 5½% 1966	101 5/16	Treasury 2½%	49 11/16
Funding 3% 66–68	82⅝	Treasury 3½% 77–80	76⅞
Funding 3% 59–69	81⅛xd	Treas'ry 3½% 79–81	75⅞
Funding 3½% 99–04	73½	Victory 4%	93 11/16

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Exempt Private Company

SIR, – I have run across a problem of interpreting a passage in the Companies Act, 1948, on which some of your readers will, no doubt, be able to enlighten me.

It appears that paragraph 7 (1) of the Seventh Schedule preserves the 'exempt' status of a company which has recourse to a banking or finance company, either in the raising of its original capital or in any increase thereto.

Does this section also include a case where a banking or finance company purchases shares in the private company from one or more shareholders provided that the transaction is approved by the private company in general meeting? This, I feel, may fall within the meaning of 'in the ordinary course of its business as such and by arrangement with the relevant company'.

I would be most grateful for any light your readers might be able to shed on this. It is assumed that the articles permit the transaction and the one-fifth limit is not exceeded.

Yours faithfully,
J. S. N.

[Paragraph 7 (1) uses the word 'acquired' which, prima facie, includes acquisition by purchase as well as by subscription. Compare paragraph 9 which refers to the business of 'subscribing' for shares: if paragraph 7 (1) had been intended to apply only to acquisition by subscription presumably it would have said so. Accordingly, the answer to our correspondent's query would seem to be 'yes'. The side note to paragraph 7 refers to 'providing capital', but there is no such requirement in the paragraph itself. – Editor.]

Tax Relief on Life Assurance

SIR, – I have recently been engaged in an argument with an Inspector of taxes in regard to a life assurance allowance, in connection with a claim which I have lodged on behalf of a relative.

The premium in question was £30 but was restricted to a maximum of £17 10s and this year the Inspector proposes to allow two-fifths of the latter figure, viz. £7. The allowance has, in previous years, been £10 and I therefore suggested that an error had been made this year, but the Inspector denied this, asserting that £7 was correct and that hitherto there had been an over-allowance.

After several exchanges the Inspector has finally declined my request to have the question referred to his head office and he has informed me that their instructions for dealing with this type of case are as follows:

> 'Where total allowable premiums computed before applying the limitations of 7 per cent of the actual capital sum does not exceed £25, relief due is £10 or the full amount of those premiums whichever is the less.
>
> 'Where the total allowable premiums computed before applying the 7 per cent limitations on those policies exceed £25, relief due is two-fifths of those premiums after applying the 7 per cent limitation.'

This seems to me to be quite illogical and does not appear to be supported by the relevant provisions of the Income Tax Act, 1952.

I shall be glad to learn whether any of your readers have had a similar experience and I shall welcome advice as to a possible remedy.

Yours faithfully,
Greenmount, Nr. Bury. A. B. GARDINER.

[A leading article on 'Life Assurance Relief' appears elsewhere in this issue. – Editor.]

Gross Profit Percentages

SIR, – I should be glad if any reader could suggest the percentage of gross profit on sales a retailer might expect on each of the following lines: newspapers, tobacco, confectionery (sweets).

I should like to know also the percentage of gross profit on sales that an average 'Tob., Con. & Stat.' business is likely to earn.

Yours faithfully,
ENQUIRER.

Training for the Profession

SIR, – The announcement that The Institute of Chartered Accountants in England and Wales has appointed a committee to consider education and training for entrants to the profession, to ensure the provision of an adequate supply of trained candidates for admission to the Institute, will give great satisfaction to all budgeting enthusiasts.

It does seem a pity, however, that the terms of reference of this committee have been expressed so narrowly, and one can only hope that the committee will itself widen them to include professional education in all its aspects. To provide entrances without also considering exits can lead to alarming results, and even a casual glance shows that there are plenty of reasons why it is worth while paying some attention to those who leave the profession, either during or after service of articles.

This leads naturally to a study of the existing facilities for education and training for those who do enter the profession, since it cannot be denied that these will have an important effect on the type of entrant and the profession's likelihood of keeping him. I am sure that everyone would agree that existing methods of training and education in the profession are capable of improvement, irrespective of their quality, and this would be an excellent opportunity to plan future progress in this field.

"The Victor was made for *me*!"

Seriously, I reckon the Vauxhall designers had businessmen very firmly in mind when they planned the Victor.

First, I must have a good-looking car, or people would begin to wonder – but I don't need a big one. Then I must be able to move fast, and be nippy in traffic and neat in parking. I want comfortable room for passengers with long legs and wide waistcoats. I want a *really* capacious luggage boot. I want reliability – and not least, of course, I want the kind of service you get from Vauxhall dealers.

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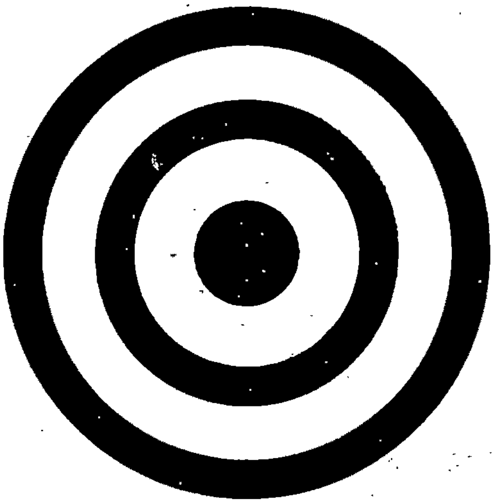

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- * IMMEDIATE WITHDRAWAL UP TO £500
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- * MAXIMUM SECURITY BACKED BY THE COMPANY'S HOLDINGS IN FREEHOLD PROPERTY. GROUP ASSETS EXCEED HALF A MILLION POUNDS

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All in all, it does seem regrettable that no distinguished figures from the world of education have been included in the committee. Even that small but valiant body of accountants which is pioneering the university work on which the profession's future must be based, has failed to secure representation. Although it may be replied that the committee can avail itself of the best advice, and has announced its intention 'to seek the co-operation of members of . . . the universities and educational authorities', nevertheless, its report will be the work of amateurs. As such, it will lack authority, rather in the same way as does a company balance sheet which is signed by the directors only. Yours faithfully,

Manchester. KENNETH S. MOST.

Annual General Meetings

SIR, – With regard to recent correspondence under the above heading, may I particularly refer to the letter from Mr J. G. Cranmer in your issue of September 6th.

Mr Cranmer states that an annual general meeting was held in 1958 to consider the accounts for the year ended March 31st, 1957. That meeting was, therefore, the annual general meeting for 1958. It follows that the meeting to be held late in 1958 to consider the accounts for the year ended March 31st, 1958, must be convened as a general meeting, not as an annual general meeting.

The annual return for 1958 should have been completed within forty-two days of the annual general meeting for 1958, and a copy of the 1957 accounts should have been attached thereto.

Assuming that the accounts for the year ended March 31st, 1959, are considered at an annual general meeting held in 1959, then the annual return for 1959 should have attached thereto the accounts for the years ended March 31st, 1958 and 1959. The reason for that is the fact that the annual return should include all copies of accounts laid before the company in general meeting during the period to which the annual return relates, viz. fourteen days after the annual general meeting for 1958 to fourteen days after the annual general meeting for 1959.

Yours faithfully,

Ilford, Essex. B. W. TAMES.

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

West *v.* Phillips

In the Royal Courts of Justice (Chancery Division)
July 4th, 1958
(Before Mr Justice WYNN-PARRY)

Income tax – House-building – Property-dealing – Houses built before the war as investments – Other houses built before the war for sale – Rent-controlled houses – Drop in income therefrom – Decision to sell both classes of houses – Whether building business continued – Whether property-dealing business set up.

Between 1933 and 1941 the appellant built 2,208 houses with the assistance of finance provided under the Housing (Financial Provision) Act, 1933. These houses (the class 'A' houses) were built as investments, and were let. The appellant also built 287 houses (the class 'B' houses) for sale, which were sold mainly with the assistance of building societies. There was an office devoted to the management of both classes of houses. In 1942 the appellant sold his building plant by auction, since when he had not built any houses.

Before the war fifteen of the class 'B' houses were sold for the purpose of reducing the overdraft which he had incurred in building that class of house, and the proceeds of sale were brought into the profit and loss account of the appellant's business as a builder. Between March 1938 and March 1946, such houses as became vacant were let again. During the War the cost of maintaining the houses increased gradually, and the net yield from rents gradually decreased and finally vanished. In March 1946, the appellant owed substantial arrears of income tax and surtax and also considerable sums to building societies. The appellant then decided to sell such of the class 'A' houses as became vacant, or whenever the tenant of the house made a suitable offer, and in February 1947 the appellant set up an estate agency business for the purpose of selling his houses. In 1952 this business was transferred to a company, the shareholders of which were the appellant and his wife and the secretary of the company. During the seven years ended March 31st, 1953, the appellant sold 406 of the class 'A' houses and sixty-eight of the class 'B' houses. The appellant was assessed under Case I of Schedule D as a builder and as a property-dealer for the years 1946–47 to 1953–54.

It was contended by the Inland Revenue that the appellant's business as a builder continued during the material years, and that the class 'B' houses continued to be trading stock of that business. The Inland Revenue also contended that the class 'A' houses became trading stock of the building business, when the appellant set up the estate agency to sell both classes of houses, or alternatively, that if the building business had ceased by March 31st, 1947, the appellant commenced a new business as a property-dealer in that accounting period. It was contended on behalf of the appellant that his building business was discontinued in 1942; that the class 'A' houses remained investments throughout the material period; that the class 'B' houses were not trading stock; and that the appellant had not carried on the business of a property-dealer. The Special Commissioners decided that the the class 'A' houses as well as the class 'B' houses were trading stock of the appellant's business as a builder, and that the appellant did not set up a business of property-dealing.

Held, the class 'B' houses were trading stock of the appellant's business as a builder during the material period; that the class 'A' houses were not trading stock of that business; and that no business as a property-dealer in respect of the class 'A' houses was set up by the appellant.

In re Lawton

In the High Court of Justice (Chancery Division)
July 7th, 1958
(Before Mr Justice UPJOHN)

Estate duty – Domicile – English domicile of origin – Employment in Spain – Retirement in France – Declarations as to domicile – Whether foreign domicile of choice acquired – Finance Act, 1949, Section 28 (2).

The testator was born in 1871, and his domicile of origin was English. He went to the Argentine when he was not yet 21, and in 1919 he was appointed president and managing director of a large company in Spain, which was the subsidiary of a United Kingdom company. He lived in Spain throughout his period of service in a house provided by the company, with a car and servants also provided. When he retired at the end of 1947, he received a pension from the company, and was given the option to continue till May 31st, 1950, or his earlier death, to occupy the company's house. He was not able to take advantage of that arrangement because of litigation in which the company was concerned.

In 1928 he had purchased a plot of land in France, and he built a house there, which he used for holidays. During the Spanish Civil War he resided for two or three years in that house. His first wife had died in 1937, and shortly afterwards he married again. He purchased a grave near the house, and his first wife was buried there. The testator died in 1955, and he was buried in the same place.

The testator made a will in 1937, and it contained a declaration to the effect that the testator had a domicile of origin in England, that he had never abandoned that domicile, and that the will should be construed as if he had remained domiciled in England. The testator made another will in 1948 containing a similar declaration. There was considerable correspondence between the testator and his solicitors concerning the making of the second will, which was directed to ensuring, as far as possible, that only his United Kingdom assets would be subject to United Kingdom estate duty and that he should incur as little French tax as possible.

It was admitted by the Inland Revenue that throughout the 1930s the testator had the intention to settle and die in his French house after his term of service with the company had expired. It was contended by the Inland Revenue that although the testator had no intention of returning to England before he died, nevertheless he never intended to acquire a new domicile of choice, and that therefore the domicile of origin remained.

Held, that little weight should be given to the declaration as to domicile in the wills, and that on the evidence the testator died domiciled in France.

Independent Television Authority and Associated-Rediffusion Ltd *v.* C.I.R.

In the High Court of Justice (Chancery Division)
July 15th, 1958
(Before Mr Justice WYNN-PARRY)

Stamp duty – Bond covenant duty – Contract for provision of programmes – Stated amount of fee for stated period – Larger fee thereafter – Provision for increase or decrease – Whether agreement for definite and certain period – Stamp Act, 1891, Sections 1, 4, Schedule I.

By an agreement dated May 23rd, 1955, between the Independent Television Authority and the second appellant, the second appellant was given the right to provide broadcast programmes. From a commencement date, between August 15th and November 15th, 1955, the second appellant was to pay the Authority a fee at the rate of £495,600 a year until March 31st, 1955, or until the expiration of two and a half years from the commencement date, whichever was the later; thereafter the fee was to be at the rate of £536,900. These payments were subject to increase or decrease in the event of an increase or decrease of 5 per cent or more in a half-yearly index figure compared with a basic index figure. The Authority had the right to increase fees after the expiration of three and a half years from the commencement date, and there could be a review of fees by arbitration in certain circumstances. The term of the agreement was to continue from the commencement date until July 29th, 1964, but both the Authority and the second appellant had power to determine the agreement in certain events.

The Commissioners of Inland Revenue were of the opinion that the agreement was chargeable with stamp duty *ad valorem* under the head:

> 'Bond Covenant or Instrument of any kind whatsoever (1) being the only or principal or primary security for any annuity . . . or for any sum or sums of money at stated periods . . .'

in Schedule I to the Stamp Act, 1891. They were also of the opinion that the agreement was:

> 'for a definite and certain period, so that the total amount to be ultimately payable can be ascertained'

and that stamp duty was chargeable on that total amount. The Inland Revenue also took the view that the 'definite and certain period' was the period from November 15th, 1955, to July 29th, 1964. They assessed the duty, in respect of the £495,600 a year for two and a half years, on £1,239,000, and, in respect of the £536,900 for six years and seventy-six days, on £3,333,193. On these totals the amount of duty payable was £11,431.

The appellants contended (1) that the agreement was not a 'security', as it was for the provision of services, and was not liable to *ad valorem* duty at all; (2) alternatively, that the agreement was not a 'security' as it was executory at the time when it was made; (3) alternatively, that duty was chargeable only in respect of the fee payable during the period from November 15th, 1955, to March 31st, 1956, the end of the first (broken) half-yearly period, as that was the only period for which an unalterable sum was payable.

Held, that the agreement constituted a 'security'; that notwithstanding that the stated sum could be increased or decreased, stamp duty was calculable on the specific sum provided for in the agreement; and that the duty as assessed was correct.

C.I.R. *v.* Watts

In the High Court of Justice (Chancery Division)
July 3rd, 1958
(Before Mr Justice WYNN-PARRY)

Income tax – Personal reliefs – Non-resident – Amount of tax on world income – Whether unilateral double taxation relief to be taken into account – Finance Act, 1920, Sections 24 (1), 27 – Income Tax Act, 1952, Sections 227 (2), 348 (2), Schedule XVII, paragraph 1.

The respondent and his wife had been resident and ordinarily resident in Belgium since 1951. Both were British subjects, and each had income from United Kingdom sources, but the greater part of the respondent's income consisted of remuneration from a Belgian company, which he received in Belgium.

Claims for the personal reliefs available to non-residents were made to the appellants for 1952–53 to 1954–55, under Section 227 (2) of the Income Tax Act, 1952, in respect of the respondent's wife's United Kingdom income. The amount of standard rate tax on the respondent's world income was calculated on the basis that a deduction should be made for the Belgian tax on his remuneration from the Belgian company. The appellants declined to allow this deduction, and therefore disallowed the claims in part.

It was contended on behalf of the respondent (*a*) that the remuneration had to be assumed to be chargeable to United Kingdom tax under Schedule E on the basis that he was resident in the United Kingdom; (*b*) that unilateral double taxation relief was allowable in respect of half the amount of the Belgian tax thereon; (*c*) alternatively, that the remuneration was chargeable under Case V of Schedule D on the largest amount of the remuneration that could be remitted to the United Kingdom after the deduction of Belgian tax.

Held, that in making the computation under Section 227 (2) of the Income Tax Act, 1952, it was not permissible to make the assumption that either Schedule E or Case V of Schedule D applied to the respondent's overseas income.

SCOTTISH INSTITUTE'S SUMMER SCHOOL

Successful Course at St Andrews

The Scottish Institute's Sixth Summer School was held last week-end, and once again the University of St Andrews provided a fitting background for a programme intended to stimulate the mind while affording adequate opportunities for exercising the body. Members recovered quickly from the sad tidings that the Old Course was closed for the few days of their visit, and were soon disporting themselves on the 'New' and the 'Eden'. This year's summer school had a record attendance of 123.

After dinner in Hall on the Friday evening, at which the members were welcomed by Prof. Robert Walmsley, Warden of St Salvator's College, and by the President of the Institute, Mr R. Ian Marshall, B.COM., C.A., the serious business of the week-end began with the first of the five lectures. This was given by Prof. A. D. Campbell, M.A., of Queen's College, Dundee, on the subject 'Britain and European free trade'. After outlining the main facts about the establishment of the European common market and the somewhat slower progress towards the setting up of a free trade area, Prof. Campbell went on to explode some of the fallacious arguments which have been put forward against the proposals. Harmonization of standards of living, of social conditions and of taxation systems in the various countries, he argued, was something which would tend in the long run to follow the setting up of a free trade area – not a prerequisite for its effective operation. There were, of course, many difficult problems to be thrashed out in the course of negotiations, but meanwhile it was vital that some agreement should be reached before the common market introduced its first internal tariff reductions in January 1959.

Installing Standard Costing

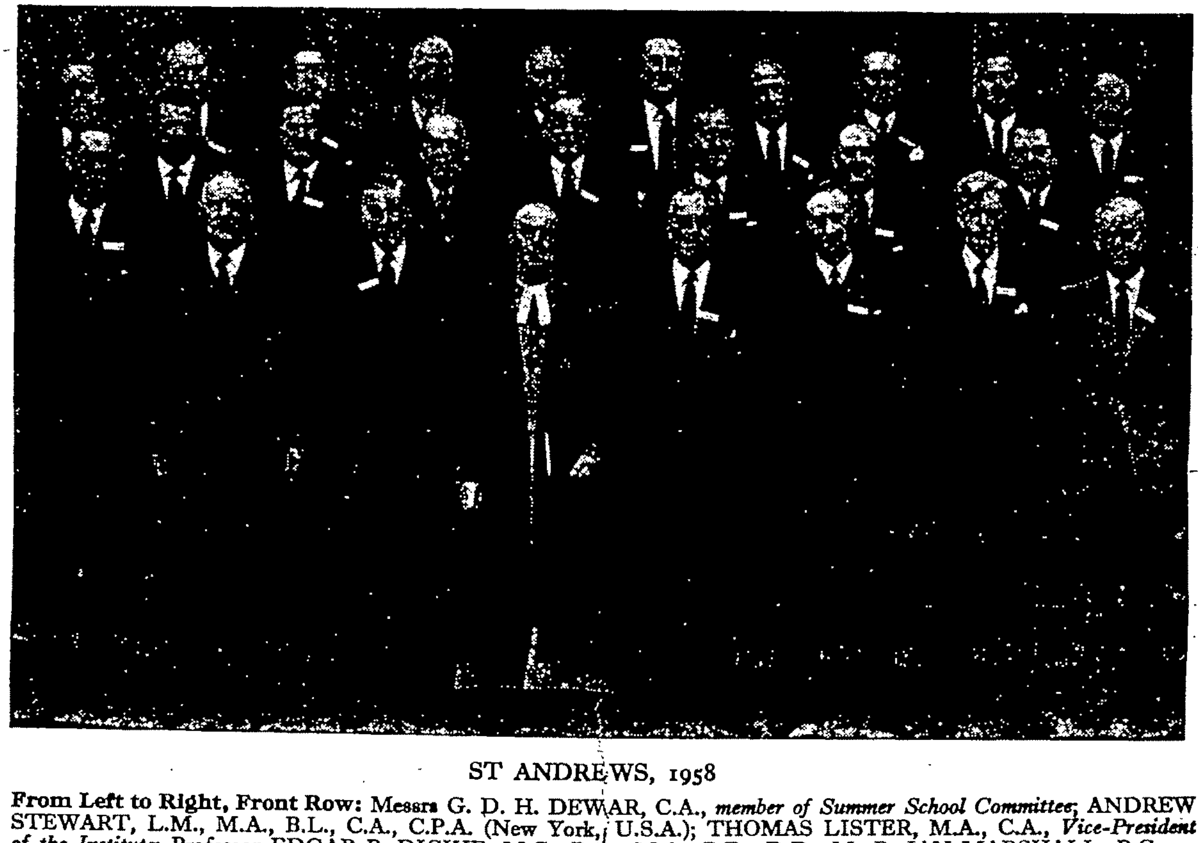
The following morning, Mr W. S. Risk, B.COM., C.A., F.C.W.A., introduced his paper on 'The installation of a standard costing system', and with apt use of illustration and anecdote brought out some of the dangers of which the accountant – whether he be in commerce or in public practice – must beware. After coffee, the members were deployed in ten discussion groups to consider the various topics allotted to them, and in the evening the fruits of their deliberations were offered to the whole assembly. Replying to the discussion at the close of the evening, Mr Risk emphasized the importance of the profession developing within its own ranks a management accounting service. There was no feature of cost accounting which should be beyond the scope of the trained accountant, but since it would not normally be possible to give advice on the installation and operation of a costing system for a client during the conduct of the annual audit, practitioners would need to set aside time for the giving of such advice and for the careful consideration which must precede it. The profession would also have to think seriously about ways and means of enabling their members to acquire experience of management accounting in industry before returning to practise as specialists in this subject.

On Sunday, the service in the Collegiate Church of St Salvator was conducted by Prof. E. P. Dickie, M.C., B.A., M.A., B.D., D.D., Chaplain to Her Majesty The Queen in Scotland, and the lessons were read by the President and the Vice-President of the Institute. Professor Dickie in his sermon spoke of the University motto 'Always be your best', and of the need for Christians today to pursue the highest standards in every walk of life.

Estate Duty Pitfalls

The speaker on Sunday evening was Prof. J. M. Halliday, M.A., LL.B., of Glasgow University, who took as his subject 'Estate duty pitfalls'. With remarkable lucidity, he steered his audience skilfully through the hazards of this most complex subject, and the members' appreciation of the lecture was shown both by the warmth of their ovation and by the keen questions which followed. Maintaining that it was no part of a professional man's duties to suggest tortuous avoidance devices to his clients, Prof. Halliday went on to say that, generally speaking, in planning to minimize estate duty liabilities, the simplest methods are the best – and the least likely to be upset by changes in legislation or in the circumstances of the client and his family.

Clients should be advised to take an interest in this subject at a comparatively early age so as to avoid unduly large accumulations of wealth in the hands of one individual. Reluctance to distribute wealth amongst one's family should be overcome, said the professor, since the risk of the funds being lost through unwise handling was preferable to the certainty of a large proportion of the funds being absorbed by estate duty. After giving some of the methods which could be recommended for the elderly client who comes to seek advice, the speaker went on to deal with the choice



ST ANDREWS, 1958

From Left to Right, Front Row: Messrs G. D. H. DEWAR, C.A., *member of Summer School Committee*; ANDREW STEWART, L.M., M.A., B.L., C.A., C.P.A. (New York, U.S.A.); THOMAS LISTER, M.A., C.A., *Vice-President of the Institute*; Professor EDGAR P. DICKIE, M.C., B.A., M.A., B.D., D.D.; Mr R. IAN MARSHALL, B.Com., C.A., *President of the Institute*; Professor JOHN M. HALLIDAY, M.A., LL.B., *Speaker*; Messrs JOHN A. STEWART, C.A., *Speaker*; ALEXANDER McKELLAR, C.A., *Convener of Summer School Committee.* **Middle Row:** Messrs W. QUENTIN RUSSELL, C.A., A.C.W.A., F.C.I.S., *leader of Group 7*; STEVEN L. HENDERSON, C.A., *leader of Group 10*; NORMAN J. BIRD, C.A., F.C.W.A., *leader of Group 9*; JAMES C. STEWART, C.A.; R. GLENDINNING, M.A., C.A., F.C.W.A., *Speaker*; T. B. SIMPSON, C.A., *leader of Group 2*; T. J. FOSTER STUART, C.A. (Chile). **Back Row:** Messrs W. S. RISK, B.Com., C.A., F.C.W.A., *Speaker*; J. L. SCOTT VEITCH, C.A., A.C.W.A., *leader of Group 3*; D. T. STEWART, C.A., *leader of Group 8*; D. A. ROBERTSON, B.L., C.A., *member of Summer School Committee*; J. DUNCAN, C.A., *member of Summer School Committee*; E. H. V. McDOUGALL, *Secretary of the Institute*; JAMES T. DOWLING, C.A., *Immediate Past President*; H. FORBES MURPHY, C.A., *member of Summer School Committee and leader of Group 1*; TREVOR G. B. MATHIESON, C.A., *leader of Group 6*; A. D. PATON, C.A., *member of Summer School Committee.*

of investments, the availability of liquid funds for the payment of duty, and some interesting points on the valuation of assets for estate duty purposes.

An Auditor's Responsibilities

On Monday, Mr John A. Stewart, C.A., presented his paper on 'Auditing methods and responsibilities'. The principal theme was the constant development of auditing techniques, and the consequent need for members of the profession to keep abreast of these changes. They must ensure that the time available for the audit was used to the best advantage, and not in carrying out in full some of the traditional checking which is neither essential for the fulfilment of the auditor's responsibilities in law nor desired by the client as a contribution to the efficient operation of his accounting system. Drawing upon his wide experience as a practitioner, Mr Stewart mentioned many points of practical interest – the auditor's responsibility for the detection of fraud, the appraisal of systems of internal control, the programming of audits and the training and supervision of audit staff. These and other points were eagerly seized upon, both in the discussion groups which followed and in the evening's open meeting. Members in practice and members in commerce all contributed freely to the debate, and if no final conclusions were reached, there was at least much food for thought during the coming year.

The final paper of the school was presented on Tuesday by Mr Robert Glendinning, M.A., C.A., F.C.W.A., and his subject was 'Electronic computers'. Here was a subject of which many accountants may tend to fight shy, but without venturing too deeply into the realms of the scientist, the speaker was able to show the importance for the accountant of keeping in touch with latest developments in accounting equipment, and in being able to advise his clients on the different types of equipment available.

ANOTHER SUCCESS AT OXFORD

English Institute's Twelfth Summer Course

This year it was possible for more members than in previous years to attend the summer course of The Institute of Chartered Accountants in England and Wales which was held at Christ Church and at Merton College, Oxford, from September 4th to 9th. Members attending numbered almost 300, of which sixty were former members of The Society of Incorporated Accountants. Of the members present, sixty-six had qualified within the past five years and it is gratifying that the younger members of the profession recognize the advantages of attending a summer course.

The President of the Institute, Mr W. L. Barrows, LL.D., F.C.A., presided over the course, and as he had taken an active part in organizing the courses in previous years, firstly as a member and then as chairman of the summer course committee, the success of the course was assured from the outset.

Fourteen Groups

Following the usual arrangements, members were divided into groups with approximately twenty in each; this year the number of groups was raised to fourteen. Members of the Council and presidents and other officers of district societies were to be found amongst group members. Since all members take a full share in group discussion, the presence of some of the leading men of the profession is of immense value to the younger members attending the course. During group discussions questions to be submitted to the speakers are formulated, but the discussions often extend to a much wider field than is covered by the formal papers presented during the course.

Three formal addresses were presented in Hall, and this year speakers were not required to read their papers nor had they been expected to prepare other formal papers of introduction to their addresses. Instead the speakers were each given half an hour in which to introduce their papers in an informal manner to members.

Fifty-seven Questions

Partly because of the extension of the periods for group discussion and partly because of the increased number of groups, Mr C. Romer-Lee, M.A., F.C.A., who spoke on 'Shortcomings of the Companies Act, 1948' found that he was asked to reply to no less than fifty-seven questions. The preparation of the replies must have been a major task in itself, but Mr Romer-Lee may be assured that his work will be of great value to the profession for he has summarized in one paper virtually all the shortcomings of the Companies Act.

Mr B. R. Pollott, M.A., F.C.A., in his address on 'Some taxation problems of particular interest in the smaller practice' gave a comprehensive review of the tax problems facing the proprietors of family businesses. Many will find his paper a handy guide on these problems. Mr Pollott received almost as many questions as did Mr Romer-Lee, they were equally as searching, and his answers threw much additional light on points of complexity.

A paper on 'Work study and accountancy – the investigation and control of industrial processes and business operations' was presented by Mr C. T. Gould, M.I.E.E., F.I.I.TECH., who, like the other speakers was asked to reply to many searching questions. There can be no doubt that the topics chosen for the course were of great interest and while Mr Romer-Lee and Mr Pollott ably dealt with their subjects from a practical viewpoint, there was some disappointment that Mr Gould appeared to be too concerned with the terminology used by work study specialists.

Informal Talks

Sir Harold Howitt gave an informal talk in Hall on Sunday morning. The talk was immensely stimulating and evoked very great interest, and at the end, Sir Harold received an ovation from the members which gave some indication of the success of his talk and of the high regard and affection which Sir Harold enjoys amongst members of the profession.

Another informal address given in Hall was that by Professor A. N. van Rietschoten, immediate Past

President of the Netherlands Institute of Accountants. The professor gave members some idea of the problems in regard to training and education for the profession in Holland. He also included some comments on the practice followed by Dutch companies of issuing accounts based upon annual revaluations.

As is customary, on Monday there was the Guest Night Dinner, when all members of the course dined together with their guests in Hall in Christ Church. This year's guests included, in addition to those who had addressed the course, Sir Folliott Sandford, K.B.E., Registrar of the University, Canon C. A. Simpson, D.D., Canon of Christ Church; Lieut.-Col. D. V. Hill, M.A., Steward of Christ Church; Mr H. R. W. Harrison, Domestic Bursar of Merton College; Mr W. G. Hiscock, M.A., Deputy Librarian of Christ Church; and Mr J. N. L. Meyers, M.A., Bodley's Librarian.

Recreation

During the course the afternoons were left free for recreation, and members were able to visit places of interest in the vicinity of Oxford, which included Morris Motors Ltd; Chinnor Cement & Lime Co Ltd; and Wolvercote Paper Mill. On Saturday many members went to Blenheim, and the opportunity for a visit to the Bodleian proved so popular that there had to be a ballot for the limited number of places.

Many members played games during the afternoons and on Monday there was the usual golf competition on the course of the Frilford Heath Golf Club. Mr J. E. Sharman, F.C.A., was the winner, and Mr D. V. House, F.C.A., was runner-up.

In retrospect, this year's summer course will be seen as having been as successful as its predecessors and members will agree that they obtained both pleasure and advantage from their stay at Oxford.

Some Personalities at Oxford

From Left to Right, Seated: Mr A. S. MacIVER, M.C., B.A., *Secretary of the Institute*; Lieut.-Col. D. V. HILL, M.A., *Steward of Christ Church*; Messrs W. L. BARROWS, LL.D., F.C.A., *President of the Institute*; P. F. CARPENTER, F.C.A., *Chairman, Summer Course Committee*; C. U. PEAT, M.C., M.A., F.C.A., *Vice-President*. **Second Row:** Messrs C. T. GOULD, M.I.E.E., A.M.I.P.E., F.I.I.Tech., *Speaker*; C. J. PEYTON, A.C.A., *Leader of Group D*; D. V. HOUSE, F.C.A., *member, Summer Course Committee*; G. F. SAUNDERS, F.C.A., *member, Summer Course Committee*; H. L. LAYTON, M.S.M., F.C.A., *member, Summer Course Committee*; G. R. APPLEYARD, F.C.A., *Leader of Group G*. **Third Row:** Professor A. M. VAN RIETSCHOTEN, *Past President, Nederlands Instituut van Accountants*; Messrs C. C. TAYLOR, F.C.A., *leader of Group M*; B. R. POLLOTT, M.A., F.C.A., *Speaker*; A. B. SNOW, F.C.A., *Leader of Group K*. **Fourth Row:** Messrs I. A. F. CRAIG, O.B.E., B.A., *an Assistant Secretary of the Institute*; J. F. ALLEN, F.C.A., *Leader of Group A*; L. J. H. NOYES, B.Sc.(Econ.), A.C.A., *Secretary, Taxation and Research Committee*; B. D. BARTON, M.A., A.C.A., *Leader of Group E*; J. GODFREY, M.A., F.C.A., *Leader of Group C*; J. E. TALBOT, F.C.A., *Leader of Group N*; D. P. HUBBARD, B.A., *Secretarial Assistant*; R. T. BIRT, *a member of the Institute Staff*. **Back Row:** Messrs J. M. HARRISON, T.D., B.A., F.C.A., *Leader of Group L*; H. T. NICHOLSON, F.C.A., *Leader of Group O*; C. B. G. TURNER, F.C.A., *Leader of Group J*; G. N. HUNTER, F.C.A., *Leader of Group H*; P. G. BARBER, M.B.E., F.C.A., *Leader of Group B*; C. ROMER-LEE, M.A., F.C.A., *Speaker*.

BUSINESS EFFICIENCY EXHIBITION

SOME EXHIBITS AT MANCHESTER BRIEFLY DESCRIBED

Each year business men are given an opportunity to see the latest developments in office machinery and equipment, and to consider how they can adapt the newest methods to their own requirements in the interests of efficiency and economy. The last word in invention is never said, and the ingenuity of inventors is continually quickening the pace, and producing fresh ideas to assist all grades of staff from the executive to the learner fresh from school.

We call attention below to a few of the wide range of exhibits to be shown by manufacturers next week at the Business Efficiency Exhibition in the City Hall, Deansgate, Manchester.

Accounting and Calculating Machines

Amongst the exhibits of Office Machinery Ltd on Stand 28 are a number of new machines, including the *Hamann R.* 'the world's only' automatic division hand-operated calculator; the *Contex Decimal Model 10*, also hand-operated, which has a key setting, ten-key register and a manual push-bar operation; the *Contex Cash Till*, a cash register and adding machine in one, specially designed for small businesses, and the *Clary Duomatic Electric Add-lister*, with a keyboard capacity of £99,999,999 19*s* 11*d* and a rapid rotary movement which is also incorporated in a hand model with a capacity of £99,999 19*s* 11*d*.

Amongst the machines shown on Stand 83 by the National Cash Register Co Ltd is the *Post-Tronic*, a completely self-contained accounting unit, capable of handling many types of book-keeping records at high speeds. It contains a series of electronic 'eyes' which can scan ledger sheets and documents and instantly decipher the information magnetically incoded on them. It may be operated on a single lead plugged into the ordinary electric circuit. Two new models of direct-entry accounting machines, *Class 31 and 32*, have, in addition to all the features of the standard models, the ability of rapid automatic multiplication in sterling or decimal. The *Class 11E Weight Listing* machine is a desk model designed for offices where the calculation of tons, quarters, hundredweights, and [illegible] is required. An 'automatic carry-over' converts [illegible]nto quarters etc., automatically.

The *Rheinmetall* calculating and accounting machines shown by Broughton & Co (Bristol) Ltd (Stand 68) include *Model SAR 11c*, a fully-automatic electric calculator equipped with automatic 'back-transfer' for continuous multiplication. The *Model KELRS* semi-automatic calculator has this feature also, and a concealed 'storage register'. *Model D 11c* is hand-operated and provides automatic division, and *Model FMR*, an invoicing machine, combines normal typing facilities with fully-automatic computing and punched tape output.

On Stand 78, the British Tabulating Machine Co Ltd are highlighting on their stand *Type 555 Electronic Calculator*, which is designed to bring the maximum benefits of electronic data processing to any Hollerith punched-card installation. The *Hollerith tape controlled Card Punch*, also being shown, enables punched cards to be created automatically from paper tape prepared at various points of sale service or data collection. These can be sorted, collated, and tabulated as required for normal accountancy production.

'*Synchromatic*', a machine displayed by Remington Rand Ltd (Stands 6 and 103), is a unit combining a *Remington Foremost 686* accounting machine with a card punch, giving punched cards as an automatically prepared by-product of normal accounting machine work. In one action it produces visual day-to-day accounting records and punched cards for detailed statistical work.

The *Post-Master '92' Duplex Accounting Machine*, on Stand 54 of Underwood Business Machines Ltd is a portable machine equipped with two registers for the automatic computation of balances and the accumulation of proof totals. It can be converted easily into a two-total adding machine, and the keyboard programme control automatically changes the machine from the posting of debits to posting of credits.

Dictation Systems

The new network dictation system being demonstrated for the first time by Remington Rand Ltd (Stands 6 and 103) enables a number of *Remington Ultra-Vox Dictating Machines* in the secretarial pool to be connected to dictating points in the executive's offices, each machine taking six to eight dictating points. It is claimed that this system results in a saving of up to 50 per cent in secretarial staff.

Their full range of *Tape-Riter* systems is being shown by Hartley Electromotives Ltd on Stand 69. This comprises the single system of one dictating machine and one transcribing machine; the *Cascade* system of one or more machines linked to the master dictating machine and a number of 'slave points' all feeding the dictating machine; and the *Exchange* system, consisting of a bank of three dictating machines – or banks of three coupled together – with as many dictation points and transcribing machines as may be required.

The *Dictaphone Time Master* equipment, which is among the exhibits on Dictaphone Co Ltd's Stand 11, has a unique feature in the plastic, opaque, red-coloured *Dictabel* record, which is capable of carrying the contents of about twelve letters and cannot be erased either intentionally or accidentally. Exhibited for the first time is the *Dictaphone Telephone Repeater*, which permits a telephone message to be played back into the telephone line and can pass on a message to a third party.

On Stand 36, Aga Dictating Machine Co show their latest developments in dictating equipment. A revised version of the *Agavox* (*Model C*) dictating machine includes a new microphone, simpler controls and automatic telephone recording. Several improvements have been made to the *Agavox Teledictation* system, which can be operated through separate wiring or through an existing private automatic telephone installation. It is simple to use and can be adapted to varying requirements.

Copying and Printing

An outstanding feature on the PHOTOSTAT LTD stand (No. 75) is the '*Statfile*' *Recorder Model*, employing a new recording technique which makes use of economical 70 mm. film for copying drawings, plans, etc., of a size up to 40 × 60 inches. Each roll of film can carry recordings of 300 drawings, and each drawing is reduced to a negative of 2¾ × 4 inches, which can be enlarged by the same machine back to the size of the original. The '*Duostat*' equipment for rapid and accurate photocopying includes *Duostat Printers 9/14* and *14/18* respectively. The '*Photostat*' *Machine Model No. 4* can make same size, reduced or enlarged copies from any original up to 36 × 48 inches.

On Stand 38, the MINNESOTA MINING & MANUFACTURING CO LTD are demonstrating their new '*Fourteen*' *Thermo-Fax* copying machine, and the *Secretary*, both of which have a feed-in table device. The *Fourteen* copies typed and printed matter, diagrams, graphs, and half-tone photographs up to a width of 14 inches in six seconds, and the *Secretary* does the same work in widths of up to 8 inches in as little as four seconds. Both machines are electrically operated.

REMINGTON RAND have a new '*Dyflex*' *Desk Printer* with a double foolscap printing area, which can employ reflex, dyeline, transfer and direct copy processes. They are also showing a new range of photo-copying equipment known as the *Remflex Double Foolscap Desk Photo-Printer*, intended as the basis for a low-cost general purpose installation when coupled with any of a wide choice of process units. (Stands Nos. 6 and 103.)

Typewriters

A new exhibit by UNDERWOOD BUSINESS MACHINES LTD (Stand 54) is their *Touch Master* standard typewriter, with a 'golden touch' which, it is claimed, requires up to 37 per cent less typing effort.

Among the *Smith-Corona* typewriters on Stand 61 of OFFICE EQUIPMENT DISTRIBUTORS (BTL) LTD is the world's first electric portable typewriter, on which letters of printing press quality can be produced with a 2 oz. touch. The electric standard machine, also shown, is believed to be the world's fastest typewriter.

LAMSON PARAGON LTD (Stand 46) are showing their new '*Formaliner*' *Form-Feed Attachment* for electric typewriters, and demonstrations will be given showing that the advantages of high-speed operation of the electric typewriter can be combined with the maximum output of continuous forms.

BROUGHTON & CO (BRISTOL) LTD (Stand 68) show a *Rheinmetall* portable typewriter, *Model KsT*, with a removal system of carriage and type-bars which is designed to reduce possible service charges.

Stationery and Furniture

New items displayed by PERCY JONES (TWINLOCK) LTD (Stand 79) are '*Snap-apart*' stationery – multi-part stationery, inter-leaved with one-time carbon, gum-tipped and perforated, and a plastic *Zipper* ring book in dark blue or brown, with brass zips and a carrying handle. Special stationery equipment for accounting machines and a large range of loose-leaf books are also shown. *Vetro Suspension Filing Equipment* is also among their exhibits. *Vetro Mobilis* is designed for standard-sized filing cabinets where a chassis is placed in the drawers to receive the folders, and the *Vetro Lateral* employs the open shelf method of filing and can be housed in cupboards or built up as required.

LEABANK OFFICE EQUIPMENT LTD (members of the Owen Organization) are showing in addition to their standard ranges, on Stand 82, double sliding door cupboards in two sizes, fixed back chairs with a back rest frame of new design to give maximum comfort, and an armless side-chair with tubular frame finished in standard polychromatic grey.

Notes and Notices

PERSONAL

MESSRS SUTTON, RUSSELL LANG & CO, Chartered Accountants, of 88 Cannon Street, London, EC4, announce that they have opened offices at 6 London Street, London, W2, and at Midgham Park, Berkshire.

MESSRS JOHN REED & CO, Chartered Accountants, of 7 Winchester Street, South Shields, announce that they have taken over the practice of Messrs W. A. SMITH & WILSON, Chartered Accountants, carried on at 91 King Street, South Shields, by Mr C. S. WILSON, F.C.A., who has retired owing to ill health.

PROFESSIONAL NOTES

Mr Maurice Tattersfield, A.C.A., has been appointed financial controller to the George Cohen 600 Group Ltd.

Mr H. S. Axton, A.C.A., assistant secretary of Midland Employers' Mutual Assurance Ltd, has been appointed secretary and chief accountant of the company as from October 1st, 1958.

Mr Arthur Wainwright, A.C.A., secretary and director of S. & W. Berisford Ltd, has relinquished his secretaryship and has been succeeded by Mr Noel Gordon Hanson, A.C.A. Mr Wainwright will remain a director of the company until his retirement later [illegible] year.

Mr M. A. Baitup, A.C.A., secretary and chief accountant of the A. & S. Henry Group, has been appointed a director of the parent company.

Mr K. M. G. Young, C.A., formerly assistant chief accountant of Rockware Glass Ltd, has been appointed chief accountant of the company and its subsidiaries.

Mr William D. Marr, C.A., has been appointed secretary to the First Scottish American Trust Co, the Second Scottish American Trust Co, the Northern American Trust Co, and the Camperdown Trust Co as from October 1st. Mr A. K. Aitkenhead, C.A., the present assistant manager and secretary will relinquish his appointment as secretary from the same date.

Mr William H. McFadzean, C.A., has been elected deputy president of the Federation of British Industries. Mr McFadzean is chairman and managing director of British Insulated Callender's Cables Ltd, and other companies in the B.I.C.C. group.

Mr J. S. Chalmers, C.A., chief accountant of Remington Rand Ltd, has been appointed secretary and controller of the company.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Findings and Decisions of the Disciplinary Committee

Findings and decisions of the Disciplinary Committee of the Council appointed pursuant to bye-law 103 of the bye-laws appended to the Supplemental Royal Charter of December 21st, 1948, at a hearing on July 2nd, 1958.

The committee heard forty-one formal complaints preferred by the Investigation Committee each to the effect that the member concerned had failed to pay within four months of January 1st, 1958, the subscription then due and payable by him, so as to render himself liable to exclusion or suspension from membership.

In every case the committee found the formal complaint proved.

The committee ordered that each of the sixteen members whose names are set out below be excluded from membership of the Institute:

Clarence George Ashworth, A.C.A., 'Kothi', Chester Road, Woodford, Cheshire.
Samuel Bucknell Collard Bushell, A.C.A., 93 Priory Road, Hampstead, NW6.
Andres Delporte Gordon Cheyne, A.C.A., 10 West Drive, Cheam, Surrey.
Philip Colleck, A.C.A., 122 East 57th Street, New York City, U.S.A.
Frank Connell, A.C.A., 5–9 Hyde Road, Ardwick Green, Manchester.
James William Cummins, A.C.A., Chancery Chambers, Brown Street, Manchester, 2.
Harold Francis Graham Dalston, A.C.A., 265 Peppard Road, Emmer Green, Reading.
Harold Graham Doody, A.C.A., c/o Barclays Bank D.C.O., P.O. Box 30211, Nairobi, Kenya Colony.
Leslie Robert Friend-Smith, A.C.A., 12 Daylesford Avenue, Putney, SW15.
Joseph Odom Johnson, A.C.A., 'Greenways', Perry Road, Buckden, Hunts.
Oliver Stephen Keeble, F.C.A., P.O. Box 30016, Nakivubo, Kampala, Uganda.
Frank Norris Pinder, A.C.A., 87 Elm Park Mansions, Chelsea, SW10.
Philip Henry Stancliff, A.C.A., St Michael's Lane, Leeds, 6.
James William Storey, A.C.A., P.O. Box 1014, Lusaka, Northern Rhodesia.
Paul Tamini, A.C.A., c/o Nigerian Ports Authority, Private Mail Bag, Lagos, Nigeria.
Roy Clare Waine, A.C.A., 18 Essex Street, Strand, WC2.

The committee further ordered that five other members be excluded from membership but that the decision be suspended in each case so as to take effect from August 31st, 1958, only if a remittance of the amount owing should not have been received before that date. In one case the decision did not take effect; the following four members were excluded from membership on August 31st, 1958:

David Solomon Cohen, B.Sc.(Econ.), A.C.A., P.O. Box 452, Tel Aviv, Israel.
Mohamed Mohamed Elsayed Elgazzar, B.Com., A.C.A., Faculty of Commerce, University of Ein Shams, Mounira, Cairo.
Abd El-Maksud Hamza, M.A.(Com.), A.C.A., 19 Adly Pasha Street, Cairo.
Abdel Hamid Tawakol, A.C.A., 171 Moh Bey Fareed Street, Cairo.

In the case of the remaining twenty members, whose full subscriptions had all been tendered at the date of the hearing, the committee decided that four be reprimanded and ten admonished and that no action be taken against six; the committee considered that there existed in eighteen cases special circumstances which justified the omission of the name of the member from the publication of the finding and decision. The following two members were reprimanded:

Leslie Orrell Hart, A.C.A., 45 Nailcote Avenue, Tile Hill, Coventry.
Stanley Ernest Morgan, A.C.A., 4 Roby Mount Avenue, Roby, near Liverpool.

AUTUMN MEETING

Business Sessions open to Articled Clerks

The organizing committee of the Autumn Meeting of The Institute of Chartered Accountants in England and Wales announces that the Council of the Institute will be happy to welcome articled clerks, who can attend, to the business sessions in the Royal Festival Hall on October 2nd and 4th. The President of the Institute is writing to all articled clerks in the London area and the organizing committee, which has a number of tickets available for students from the provinces, is getting in touch with provincial societies.

Copies of papers to be presented at the business sessions, together with tickets and other documents for the meeting, are being posted to participating members this week-end (September 19th–22nd). The papers are:

Thursday afternoon, October 2nd: 'The future role of the accountant in practice', by Mr H. A. Benson, O.B.E., F.C.A.
'The future role of the accountant in industry', by Mr W. W. Fea, B.A., A.C.A.
Saturday, October 4th: 'The progress of tax reform', by Sir William S. Carrington, F.C.A.

Members taking part in the meeting who participated in the ballot for the additional tickets for *My Fair Lady* at the Theatre Royal, Drury Lane, have been informed of the result.

Service at St Paul's

The Accountants' Christian Fellowship has been invited to announce that any members of The Institute of Chartered Accountants in England and Wales, whether or not they are attending the Autumn Meeting, will be welcome at the service which is being held in St Paul's Cathedral on Thursday, October 2nd, at 10 a.m. The sermon will be preached by the Rt. Rev. and Rt. Hon. J. W. C. Wand, P.C., K.C.V.O., D.D., formerly Bishop of London.

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THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The 1958–59 winter session of monthly meetings of the Accountants' Christian Fellowship will begin with a service of dedication in All Souls Church, Langham Place, W1, at 6 p.m. on Wednesday next, September 24th.

The service will be conducted by the Rev. Martin Parsons, hon. secretary, London College of Divinity, and, as at all meetings of the Fellowship, members and their friends and any others who are interested will be most welcome.

CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

The following meetings of the London Students' Society will be held during next week:

Monday: Visit to Fords Motor Works (limited number).

Thursday, 7.30 p.m., at Westcliff-on-Sea: Lecture on 'Company Law' by Mr V. Griffiths, M.A., LL.B.

Residential Course at Oxford

The fifth senior residential course of The Chartered Accountant Students' Society of London, was held at Balliol College, Oxford, from Thursday, September 11th to Sunday, September 14th. There were 183 students taking part including nineteen from the Oxford Students' Society and two from Halifax.

In the three days at Oxford the course heard five lectures, each followed by periods of lively discussion in groups. There were seven discussion periods in all, some of which extended into the early hours of the next day before the groups broke up. The lecturers took part in the group discussions and each lecturer commented at a later general meeting on points of general usefulness which had emerged in the groups.

The subjects for the course were selected with the primary purpose of stimulating discussion and bringing articled clerks together to enable them to feel and develop the sense of common professional purpose and responsibility.

The subjects and speakers were:

'Taxation as a means of economic control', by Mr Jack Wiseman, B.SC.(ECON.), Lecturer in Economics, University of London.

'Information for the board', by Mr E. H. Davison, A.C.A., treasurer, Courtaulds Ltd.

'The economics of industrial relations', by Mr Leonard Murray, B.A., secretary, Research and Economics Department, T.U.C.

'Auditing in practice', by Mr J. A. Jackson, F.C.A.

'The valuation of shares', by Mr J. F. Shearer, O.B.E., F.C.A.

The lecturer on the valuation of shares set a problem upon which each group prepared its report and submitted it before the lecture.

The President of the Students' Society, Mr W. E. Parker, C.B.E., F.C.A., came down to Oxford to preside over the opening dinner in Hall and stayed to take an active part in the following day's meetings.

This course was one of the best, as well as one of the largest, which the London Students' Society has organized. The standard of discussion and the sense of professional community was most encouraging for the future. An important factor in the attainment of this result was the academic atmosphere of Balliol College, whose hospitality the course enjoyed.

CRICKET

London C.A.S.S. *v.* The Solicitors' Articled Clerks' Society

In their final match of the season played at Barnet on September 9th, the London Chartered Accountants' Students' Society soundly defeated the Solicitors' Articled Clerks' Society by 9 wickets. The Solicitors batted first and were dismissed for 42 runs (P. James 8 for 23 and J. Charlton 2 for 16). In spite of their almost hopeless position, the Solicitors bowled and fielded with such determination that it took 90 minutes for the Chartered Students to pass the Solicitors' total with 9 wickets still standing, and the innings closed at 46 for 1.

Of the six matches played by the London Chartered Accountant Students during the season, two have been won, three drawn and one lost.

London C.A.S.S. *v.* Birmingham C.A.S.S.

A match played at Hampstead on September 2nd between the London Chartered Accountants' Students' Society and the Birmingham Chartered Accountants' Students' Society resulted in a draw.

London won the toss and on a perfect wicket decided to bat, scoring 163 for 9 declared (Raven 41, Balhetchet 52). After a poor start (Pearson 21, Baker 24, Griffiths 18 not out) Birmingham, at the close, brought their score to 115 for 9.

Portsmouth and Southampton Students *v.* Old Portsmouthians

Two of Hampshire's students' societies joined forces on the cricket field for the first time on Sunday, September 7th, when a combined Portsmouth and Southampton Students' Societies' XI lost to the Old Portsmouthians by 34 runs. The weather remained fine for the game, which was notable for good bowling returns by Levison (4–21) and M. J. Bucknall, A.C.A., (3–26), both of Portsmouth, and for a courageous innings by Brooke, of Southampton. Scoring was low, due to a sluggish pitch on which the ball turned slowly and came through at varying heights. Old Portsmouthians scored 82 and the Students' Societies' XI 48.

After the match, a hockey match was tentatively arranged between the two societies at a later date and it was also decided to raise a combined hockey XI, if suitable opponents could be found.

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Metric Money in S. Africa?

IF the recommendations contained in the recently published report of the Decimal Coinage Commission are accepted by the Government of the country, South Africa will soon have a decimal coinage system in operation. In making its proposals the Commission, which has been deliberating on the matter since August 1956, expresses the hope that the Government will make a decision as soon as possible and certainly before the end of the year. The necessary legislation could then be presented and passed in the 1959 Parliamentary session.

The official date envisaged for the introduction of the new system is early in 1961 and it is reckoned that the entire task of machine conversion would be completed by September of 1962. During the approximate two-year conversion period, the present currency system (which is identical with that of the United Kingdom) would remain in force.

The chances of the Commission's carefully thought out recommendations being adopted are strengthened by the encouraging fact that the leading economic authorities on both sides of the House are signatories to the report. Other encouraging straws in the wind are that the five leading South African banks and virtually all the machine companies have expressed their approval. Three of the Commission's fifteen members did submit a minority report, but their qualifications cover only the mechanics and not the principles of the proposed conversion.

If the system (as described in the majority report) became law, then the citizens of the Union and of South-west Africa would have to get accustomed to a main currency unit of 10*s*. This would be deemed to be worth 100 cents and silver coins of 50, 20, 10, 5 and 2½ cents, and bronze coins of 1, ½ and ¼ cents would be minted. It does not require much mathematical ability to associate the silver coins with the present crown, florin, shilling, sixpence and threepenny-piece but there are no present ready-made equivalents for the bronze coins which would be worth 12/10ths, respectively, of a penny, a halfpenny and a farthing. The minority report recommends the pound as the principal currency unit.

One interesting question of nomenclature is left unresolved by the Commission and that is a suitable title for the 10*s* unit. The report does suggest, however, that the name should be short, distinctive, similar in English and Afrikaans, have no current political associations, and should be designed so as to eliminate any possibility of confusion with the currencies of other countries – an excellent guide for the many etymologists eager to coin a word for a coin.

Corresponding Figures

by CHARLES H. COOKE, T.D., F.C.W.A., A.C.I.S.

IT is provided in the Eighth Schedule to the Companies Act, 1948, that there shall be shown in every balance sheet and profit and loss account laid before a company to which the Act applies, the corresponding amounts for the immediately preceding financial year for all the items shown therein. Certain specified items must be shown separately and, in the case of the profit and loss account, attention must be drawn by note or otherwise if any item is materially affected by transactions of a sort not usually undertaken by the company, or by circumstances of an exceptional or non-recurrent nature, or by any change in the basis of accounting.

These provisions are, of course, legal minimum requirements introduced following the findings of the Cohen Committee on Company Law Amendment, published in that committee's report on June 11th, 1945. They were, however, largely anticipated by good accounting practice before that date, a fact acknowledged in the report itself.

Accountants are interested in many sets of accounts and financial statements that are not covered by the Companies Act, and they are concerned with providing accurate and intelligible information for a variety of different purposes rather than with the mere compliance of the law. Indeed, the interpretation of accounts is a subject at least as important as the production of the accounts themselves, and of far more absorbing interest to many. Arithmetical accuracy can, or should be able to be, taken for granted; but intelligibility, and capability of accurate and purposeful interpretation, depends upon a preciseness of definition and careful segregation of items without which important facts may be masked, and incorrect conclusions may be drawn. The preparation of accounts to meet the more exacting requirements here implied is an art that cannot be governed by legal enactments, and it is therefore pertinent to consider, as one aspect of producing intelligible accounts, the requirements for and the limitations of, comparative or corresponding figures.

Purposes of Comparison

The objects and uses of comparative figures are many, but among the more important we may consider the following:

(1) To disclose trends in expenditure items, turnover, asset values, reserves and other items.

(2) To control expenditure where, for example, previous figures have been used or adapted as a budget for the ensuing period.

(3) To indicate progress or otherwise by showing relative positions at the beginning and end of a year or other trading period.

(4) By examination of past performance to formulate standards or forecasts for the future.

The Cohen Report mentioned that the trend of profits is the best indication of the prosperity of a company. Trends, however, can be assimilated and correctly interpreted only by means of comparisons with reliable figures of an exactly like nature in respect of previous similar periods. In cases where comparative figures are to be used as a basis for controlling expenditure, or establishing standards, it is even more important that the headings used are of a precisely similar nature; whatever the purpose, there can be no significant comparison if this is not so.

Changing Patterns in Business

In practice it is seldom that the headings used in balance sheets and profit and loss accounts are changed from year to year as this would clearly make comparison difficult, but it is equally seldom that no change of any significant kind takes place that is capable of affecting comparisons. Business is a living thing, with developments and shifting patterns in motion all the time – technically, administratively, and even on the accounting side. Let us consider some of these shifting patterns in relation to their effect on corresponding figures.

Just after the war there was a considerable market in this country and abroad for British-made electronic goods of household and similar application, and a number of firms took advantage of this. After a few years, however, German manufacturers were able to resume production at such competitive prices that this market became considerably curtailed, and at least one British firm filled the gap by developing an electronic device of use only in large-scale farming. Many of the technical components were similar, so that the usage of materials and sub-contracted parts may not have changed much, but this must certainly be viewed in a different light especially when considering turnover, which shifted in a few years from one covering a very large and widely-spread market to a restricted and highly specialized one.

If turnover increased, how is this increase to be assessed in money terms so as to indicate a trend? If, for example, the labour costs of assembly in 1958 are twice the proportion of total costs that they were in 1948, what can be deduced from an examination of annual labour costs over the last ten years? What is the effect on profit trends of the change to a market where the gross profit percentage may be higher but where the risk due to obsolescence, or to the deflection of a single large customer, may be greater?

Graphic Comparisons

Another interesting example of these shifting patterns is to be found by analysis of the prime costs of a manufacturing organization. If pie charts are constructed side by side, showing year by year the make-up of total prime cost in terms of labour, materials, sub-contracted parts, machinery charges, and other suitable headings, the proportion each bears to the whole may be found to vary quite considerably, even though total turnover and type of product remains substantially the same. These variations may be due to a variety of causes, such as wage increases, a high rate of labour turnover, improved materials, new materials becoming available, or a tendency to send less work out to sub-contract; but they should always be taken into account when attempting to make any deductions as to the information obtainable from comparative figures. Sometimes the variations may be so gradual that they are noticeable only when some such graphic comparison as is indicated above is made, but they are nevertheless significant over a few years.

So far most of the variations considered are internal to the business, in so far as they affect mainly the trading account. Even the balance sheet, however, can be directly affected by some changes and developments that can and do occur in the day-to-day running of business. Some industries – notably building and civil engineering – make considerable use of hired rather than owned plant, as the former can easily be dispensed with when not required and taken up again when it is. Thus decisions are constantly having to be made as to whether to obtain the required plant by direct purchase, outside hire, or even by hire-purchase which is now very widely used industrially. Each method has its own problems and financial characteristics, and the relative proportion of each undertaken in an accounting period has its effect on corresponding figures. Thus the gross asset figure in the balance sheet may remain constant, although turnover has increased considerably with no corresponding increase in machine usage rate; profit margins may well be reduced because machinery costs contain an element representing the profit of the owner.

One of the costing problems of owning plant is the determination of its actual working cost, and the application of this in the form of an internal hire charge. Some concerns prefer to relate these internal charges to market rates, whilst others try to determine the exact cost without a profit margin. In either case the rates will require revision from time to time, with consequent effect on comparative figures and, where owned and hired plant is operating side by side, considerable analysis of the figures will be required before any effective comparison can be made.

Hire-purchase presents a different problem, since in addition to normal repair and running costs, interest is payable in cash as part of the instalment, whilst the balance outstanding on hire-purchase account, less unexpired interest, will need to be shown separately on the balance sheet if the figure for creditors is not to be distorted, and if a proper indication of the company's assets is to be given. With the flexibility of modern industrial hire-purchase trading these items can change very considerably in the course of a year.

Internal Adjustments

All the examples that have been given of factors that can affect the value of comparative figures are, of course, in addition to the constant changing of the real value of money, which has exercised the minds of accountants for many years past. The effect of this particular factor on comparative figures is not considered in this article, but it may be mentioned in passing that an industrial concern whose annual accounts indicated that turnover in money values had increased by some fifteen times over the last fifty years, was estimated to have no more than doubled its real turnover in that time. However, the theories that have been put forward for adopting some form of conversion to standard values for overcoming the effect of changing money values on comparisons may point the way to deal with some of the other factors.

For example, where machinery has for the first time been put into a separate department, the previous figures can be adjusted on to the same basis provided records of working time exist from which a theoretical income can be computed. Similarly, where a separate company has been formed to operate the machinery, the appropriate figures can be entirely eliminated from the statements relating to the parent concern in order to preserve effective comparisons. The adjustments here mentioned apply only to the analysis of past records, but it is advisable to add a footnote to any new statements prepared, to indicate what adjustments have been made.

In the case of shifting turnover, changes in materials used, or increased labour rates, there is probably little that can be done – except by additional classification as mentioned later on – other than by adding footnotes drawing attention to the changed circumstances or, possibly, by the insertion of bracketed figures in suitable cases giving estimates of what the figures would have been if the new conditions had been in force during the previous period. The adjustment of previous figures will, of course, always entail additional work, and may involve some estimating, but it is essential to give the matter consideration if the comparative figures are to be of any use at all. It is sometimes desirable to introduce a new or rearranged classification; for example, so as to give a more detailed analysis of overheads, but this does not normally create much of a problem since there is usually sufficient information available to re-analyse the accounts of a year or two back.

Classification: 'Pure' Figures

Many of the problems created by the factors mentioned earlier can be avoided by a careful choice of headings and by precise definition of the type of expenditure to be included under each heading. Thus, if the main items on the credit side of trading account are analysed under production lines, the effect of shifting turnover can at once be assimilated by a glance at the figures for the years under consideration. If a new line is started the effect of this will be apparent, because there will be no figures under the particular heading for previous years.

When dealing with expenditure items, particularly overheads because they tend to be more constant than production costs, much can be gleaned by plotting them on a graph on a month-by-month basis. 'Bumps' in the line of the graph will then indicate when any unusual, non-recurring, or wrongly classified items have crept into the heading under review, and subsequent inquiry may often point to the need for amendment of the headings themselves (not to be undertaken lightly for obvious reasons) or to more explicit instructions as to what each heading is intended to cover.

Overheads will tend to produce a straight-line graph, whilst direct production costs should lie on a curve similar to turnover and any sharp deviations from this will represent 'bumps' on the line. This process can go on until we have what are here termed 'pure' figures, an expression intended to cover the product of a grouping under suitable heading of expenditure items of a nature identical, or so nearly identical, that variations can be traced to connected and identifiable causes. All items of an extraordinary or non-recurrent nature will have been eliminated and shown separately, or grouped under a general heading, and thus perfect conditions for comparison exist. When these conditions are achieved or approached, business results are found in practice to be remarkably regular and predictable.

Conclusion

When we refer to corresponding figures in the restricted sense we are usually thinking of the figures that appear at the side in final accounts, as required by statute; but consideration of the wider sense implying the use of comparisons in the interpretation of financial and costing figures reveals a vast field for study and research. This is a branch of accounting that offers very satisfying work, the results of which can be of inestimable value in budgeting, forecasting, and in developing an intimate knowledge of what really is going on in an industrial concern from the financial point of view.

Whilst it is clearly desirable to keep all financial statements and published accounts as brief as possible consistent with clarity and the desired degree of detail, it does not seem practicable after considering the practical problems in connection with comparative figures, to dispense entirely with notes or even more detailed explanatory reports. In presenting corresponding figures the best means must be used to facilitate interpretation and to avoid incorrect conclusions.

As is the case with any science, one of the first precepts to be observed in the study of comparative figures is the danger of assuming too much from the preliminary evidence until it has been tested by analysis and corroborated by reason.

NORTH AMERICAN COMMENTARY–XCIII

Current Accounting Opinions in the United States and Canada

by KENNETH F. BYRD, M.A., B.Sc.(Econ.), A.C.A., C.A.(Canada),
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The Journal of Accountancy,
New York, June

Employed C.P.A.s and the Fair Labour Standards Act

THE American Institute of Certified Public Accountants has submitted to the Department of Labour a renewed request for exemption of certified public accountants from provisions of the Fair Labour Standards Act. Under proposed amendments to the wage and hour regulations, the salary delimitation for exemption of professional employees would be raised from $75 to $95 a week. A petition in 1955–56 was rejected on the grounds that universal licensing is not a requirement for the practice of accounting. The American Institute claims that exemption should apply to C.P.A.s as a matter of principle, regardless of salary.

Tax Appeal Decision Reversed

The United States Court of Appeals for the Second Circuit has reversed a lower Court decision by which the departmental store chain, R. H. Macy & Co, Inc, was granted recovery of income and excess profits taxes for the fiscal year 1942. The earlier decision would have involved refunds of an estimated $9 million for 1942 and subsequent years.

The claim depends on the date from which the company could use the LIFO method of inventory valuation for tax purposes, and it is estimated that final decision in favour of Macy's might lead to claims totalling a billion dollars being filed by other stores. The company is said to be planning an appeal.

Continuing Education Programme for Accountants

The Council of the American Institute has appropriated $50,000 for the first phase of a continuing education programme which is expected ultimately to become self-supporting. An editorial says a competent administrator will be engaged and an expanded programme inaugurated to provide both staff training for junior accountants in smaller firms and more professional courses for practising C.P.A.s. The plan includes the recruitment and training of teachers and assistance for state C.P.A. societies and chapters which sponsor the courses. Eventually it is expected that the programme will be administered by an organization affiliated with but separate from the Institute, supported by fees from firms or individuals who benefit from it.

This programme is in line, says the editorial, with a policy of general education for the professions which seems to be rapidly gaining favour; the practising C.P.A. needs more continuing education dealing with new areas of service and new technical developments, and the projected programme is certainly one of the most important ever undertaken by the accounting profession.

Declining Balance and Straight-line Depreciation

Approving the introduction of declining balance depreciation with the 1954 internal revenue code, Mr Paul T. Norton, Jr., C.P.A., attributes the delay in its introduction to failure to realize that the loss of an asset's economic usefulness is greatest in the early years of its life. He says that until 1934 the lives used in setting the rates for the straight-line method were almost always much shorter than the full average realized lives, and belief in the inherent correctness of that method survived many years of complaints that the demonstrably more accurate life estimates after 1934 were much too long.

Mr Norton fears that what he calls 'the hard-won liberalization of the 1954 code' may be lost unless taxpayers realize that declining balance depreciation corresponds more closely with the income-producing history of most assets than does the straight-line method; taxpayers should decide to use it for their accounting purposes and not merely for income tax. Should the idea grow, that the 1954 liberalization was a 'give-away' to the corporations and should it lead to a re-introduction of the straight-line method for tax purposes, Mr Norton warns that rates are likely to be lower than ever before, unless the taxpayer can prove shorter service lives. He therefore appeals to accountants and engineers to rid themselves of the idea that the straight-line method is the only really correct method.

Economic Accounting

Professor John P. Powelson, C.P.A., of Johns Hopkins University, reviews the history of economic accounting as it has developed in the United States out of the national income statistics of the 1920s. He tells how the National Bureau of Economic Research has recently submitted proposals to Congress and the Bureau of the Budget, for an integrated accounting system covering the productive and financial operations of the American economy. This is, he says, the first time that the framework of such a system has been drawn up and seriously presented to high Government circles.

The National Accounts Review Committee, formed by the National Bureau in 1956 to recommend improvements in economic accounting systems, has decided in favour of modified integration of national income, balance of payments, input-output tables, flow-of-funds accounts and the national balance sheet into a single national accounting system. The National Bureau has done the heavy spade-work, concludes Mr Powelson, leaving implementation to the Government which alone has the wide sources of statistical data required for fruition.

Organized Labour and Financial Accounts

The attitude of labour union research departments towards published corporate financial accounts is examined by Dean Wilbur F. Pillsbury, Professor of Economics at Knox College, Illinois. He says that the research directors of the larger labour unions blame the accounting profession for various 'accounting devices' which tend to equalize profits from year to year – the use in the financial accounts of inflated depreciation reserves not in accordance with the depreciation expenses reported for income tax, introduction of LIFO inventory valuation during periods of rising prices, and creation of large inventory and contingency reserves. They favour original cost for valuation of asset accounts and calculation of depreciation expense, pointing out that in this they have the support of the American Institute and the Internal Revenue Service.

Professor Pillsbury says the union spokesman are particularly critical of special corporate reports for employees, claiming that it is not uncommon for union workers to receive one type of financial statement as stockholders and another as employers, the two differing in form and content. A spirit of partnership and goodwill can be created, they say, only by presenting more details in a single report to stockholders and employees. Such details should, in their opinion, permit calculation of unit costs, particularly of labour costs per unit. Unless voluntary offering of financial information is forthcoming the union spokesmen maintain that Government intervention will be inevitable.

The N.A.A. Bulletin (National Association of Accountants), New York, June

University Fellowship Programme in Industry

The University of Alabama School of Commerce has completed two years of co-operation with an industrial concern in a fellowship programme for members of its academic staff. Dr William C. Flewellen, Professor of Accounting, says that the field selected was the standard cost system and compilation of data for decision making by top management. The selected staff member works with the concern for one semester, at the end of which both he and the company's programme director prepare formal written reports.

Professor Flewellen considers that industry benefits by attracting university teaching of accounting somewhat away from its bias towards public accounting, while the participant, the school and the students benefit from a broadening of the teaching with a wealth of practical illustrations. The programme has lived up to expectations, he concludes, and has in it the possibility of developing into one of the best means of obtaining co-operation and understanding between education and industry.

The Canadian Chartered Accountant, Toronto, June

Chartered Accountancy in Canada

In an editorial, Mr George Keeping, President of The Institute of Chartered Accountants of Quebec, pays tribute to the seventy-fifth and fiftieth anniversaries, respectively, of the Ontario and Saskatchewan Chartered Institutes. Surveying the growth of chartered accountancy in Canada he stresses the importance of maintaining the highest possible standards of competence and integrity of members. He notes, among existing achievements to this end, the uniform examinations and marking and the leadership given by a research committee, while a special committee is studying long-term education for the profession. Pointing to the increase in membership from 2,700 at the end of the last war to nearly 8,000 today, Mr Keeping concludes with a reminder that quality must continue to go with quantity.

Shortcomings of the Companies Act, 1948 – II

by C. ROMER-LEE, M.A., F.C.A.

PART II

I NOW have to deal with some of the sections of the Act which are nebulous, doubtful or ambiguous in their construction, and I shall try to give some views on how their meaning might be clarified.

46. The paragraphs that follow appear in the order of the sections of the Companies Act to which they refer; their sequence does not therefore indicate any relative degree of importance that I attach to one subject or another.

Stock Exchange Certificate of Exemption available for Prospectus but not for Statement in lieu of Prospectus (Sections 39 (1) and 48)

47. There is a curious difference in the wording of these sections of the Act. Under Section 39 (1) 'where it is proposed to offer any shares in or debentures of a company . . . by a prospectus . . . and application is made to a prescribed stock exchange for permission for those shares or debentures to be dealt in or quoted on that stock exchange, there may . . . be given by or on behalf of that stock exchange, a certificate of exemption . . . that . . . compliance with the requirements of the Fourth Schedule to this Act would be unduly burdensome'. Where it is proposed therefore to issue a prospectus permission is given by the Act to dispense with the requirements of the Fourth Schedule provided the stock exchange concerned sees fit to grant a certificate of exemption, having regard to compliance with the specific requirements of the stock exchange itself. The power to decide whether a company must comply with certain of the provisions of the Act is thus delegated to a stock exchange. In this instance what, in effect, is legislation by delegation provides a practical means of safeguarding investors.

48. However, when one comes to Section 48 which deals with statements in lieu of prospectus one finds that there is no provision for a stock exchange to grant a certificate of exemption from substantially similar requirements to the Fourth Schedule which are laid down in the Fifth Schedule, although the requirements of the stock exchange itself would seem to provide similar safeguards. It is difficult to appreciate why the exempton available in the case of a prospectus is not also extended to statements in lieu.

49. Take, for example, the case of a holding company which is formed to acquire an existing company having shares carrying exactly similar rights as the shares in the company to be acquired. The shares in the holding company are issued to the existing shareholders in exchange for their shares in the existing company. The shareholders thus, in effect, exchange one piece of paper for another piece of paper and retain exactly similar rights as those they had before the operation. One would have expected such an operation to be concluded with the minimum of formalities, but as there is no provision in the Act, similar to that contained in Section 39, which can be applied to Section 48, it is necessary for all the procedures required by the Fifth Schedule to be followed.

50. It seems therefore that an amendment to the Act is required so as to make it possible for a stock exchange to grant a certificate of exemption not only in cases where it is proposed to issue a prospectus but also where a statement in lieu of prospectus is required.

51. One reason for different requirements in the two cases is probably to be found in that the Registrar of Companies needs authentic documents with which to open his files for each new company placed on his register. The circumstances to which I have referred, however, would not occur without the issue of circulars to the existing company's shareholders, and in practice, I feel that the stock exchange could be trusted to see that these circulars provide all the particulars which the Registrar would need.

Share Premiums (Section 56)

52. Section 56 (1) reads as follows:

> '56 (1) Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called "the share premium account", and the provisions of this Act relating to the reduction of the share capital of a company shall, except as provided in this section, apply as if the share premium account were paid up share capital of the company.'

The intention of this subsection seems clear and generally desirable, namely, that when a company acquires assets by the issue of shares entries should appear in its capital accounts representing the full value of the assets acquired. If the nominal value of shares issued is less than the full value of such assets the difference has to be recorded in a share premium account to which has been attached substantially the same characteristics as apply to the paid up share capital of a company, the object being of course to preserve the company's actual capital intact.

53. The Act talks about 'the aggregate amount or

The second part of an address delivered at the summer course of The Institute of Chartered Accountants in England and Wales, at Oxford, on September 5th.

value of the premiums' but understandably gives no guidance as to the method of measurement of the premium. When shares are issued for cash no difficulty arises. It is when shares are issued otherwise than for cash that there may be room for differences of opinion as to the amount of the share premium. Having said that much, I propose to leave the question of how the share premium should be evaluated in any particular case, as I do not consider it comes within the scope of this paper.

54. There is, however, one set of circumstances when Section 56 might operate harshly on shareholders and that is on an amalgamation when an existing company (or a new company formed for the purpose) acquires the shares of another company by an issue of its own shares. Most companies have accumulated reserves out of profits of former years, and these reserves (if they can properly be considered as revenue reserves) are legally available for distribution to the shareholders. On an amalgamation in the way indicated such revenue reserves may be in whole or in part represented by a share premium arising in the acquiring company's balance sheet. Thus although the shareholders remain the same and the nature of the businesses and their circumstances have remained unaltered, reserves which were previously available for distribution as dividends have become 'frozen' by the merger, all apparently as a result of the restriction of Section 56. In practice this situation may not be detrimental to the shareholders for in many cases profits retained in a business are represented by assets necessary to maintain the business and are therefore not available for distribution in any case. However, there are occasions when the provisions of this section might operate unnecessarily harshly and it seems that the Act could well be amended to give power to the Board of Trade to relax the restrictions on the use of the share premium account in appropriate cases where application is made. This matter is further discussed in Appendix A, paragraph 2, the Institute's memorandum to the Board of Trade dated July 6th, 1949.

55. In considering this subject I am aware that there is a difference of opinion amongst our legal friends, and it is worth while examining this matter a little more deeply. The point at issue concerns the meaning of the phrase 'The issue of shares at a premium otherwise than for cash', and can be illustrated by a simple example. Imagine that a company buys a property for £10,000, the purchase consideration being the issue of its own shares having a nominal value of £8,000. The difference of £2,000 has to be recorded somewhere on the liabilities side of the balance sheet, and Section 56 requires this £2,000 to be called a 'share premium account', which is subject to the restrictions of that section. The lawyers do not dispute the correctness of this treatment.

56. Now assume this transaction were carried through without the value of the property being stated in the purchase agreement, the consideration being merely the allotment of 8,000 shares of £1 each fully paid. Although the underlying circumstances in the two cases are the same not all lawyers agree that in the latter case a share premium account should be created. The school which says that there is no share premium holds the view that the figure at which the property should be entered in the balance sheet is the nominal value of the shares issued. This appears to be an instance where the best accounting practice (namely to record the share premium in both cases) is not supported unanimously by the legal profession.

57. There is another anomaly in Section 56, the second subsection of which reads:

> '56 (2) The share premium account may, notwithstanding anything in the foregoing subsection, be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares, in writing off:
> (*a*) the preliminary expenses of the company; or
> (*b*) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;
> or in providing for the premium payable on redemption of any redeemable preference shares or of any debentures of the company'.

58. It is unfortunate that the word 'bonus' is used in this section as the word is so easily capable of being misconstrued. Accountants understand that when a company applies part of its reserves for issuing fully paid shares to the existing shareholders, no new money is infused into the business and thus the total value of the shareholders' interest remains unchanged. It seems that the meaning of this section would not be altered by the deletion of the word 'bonus'.

59. It is clearly in order to use the share premium account to write off preliminary expenses, i.e. expenses in connection with the formation of the company, and the expenses of any issue of shares or debentures (including any stamp duty paid at that time). But what happens when a company increases its share capital, pays stamp duty on the whole of the increase (as it is required to do) and then issues only part of the newly-created shares? The stamp duty on the shares which are issued is part of the cost of issuing those shares, but the stamp duty on the unissued portion of the increase is not a cost of the shares issued, neither is it a preliminary expense of the company because, *ex hypothesi*, the company must have been in existence before it could set about increasing its capital. I doubt if this was the intention of the Act, and perhaps it could be amended so as to allow the stamp duty on all a company's shares or debentures, irrespective of when they are issued, to be written off against a share premium account.

Annual General Meeting (Section 131 (1))

60. This section reads as follows:

> '131 (1) Every company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall

> specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next; Provided that, so long as a company holds its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year.'

61. The words 'in each year' in the opening sentence are usually construed to mean 'in each calendar year' and the section as a whole is taken to imply that a company can only hold one annual general meeting in each calendar year. If this construction is correct it means that if a company has held its annual general meeting in January it cannot have its subsequent annual general meeting in December of the same year. Difficulties arise because of the obligation to hold one general meeting which is described as annual in each calendar year. This can result in the farce of a company calling an annual general meeting (solely to comply with the Act) and adjourning it immediately. It would seem desirable that the Board of Trade be given power to allow a longer time between succeeding annual general meetings in cases where they are satisfied that there is a genuine need.

Need for a Holding Company to prepare two Balance Sheets (Sections 148, 149 and 150)

62. In addition to the balance sheet and profit and loss account which a company has to produce under Section 148, those companies which have subsidiaries have to prepare group accounts, such group accounts generally taking the form of a consolidated balance sheet and a consolidated profit and loss account. Although (under Section 149 (5)) it is permissible to dispense with the profit and loss account of a holding company (provided a consolidated profit and loss account is prepared) there is no latitude whereby a company can present only a consolidated balance sheet.

63. The relative values of a consolidated balance sheet and a 'normal' balance sheet (to use a distinguishing term) may be debatable and can depend on circumstances, but there are many instances where the consolidated balance sheet is the document which provides the valuable information and where the 'normal' balance sheet is virtually meaningless.

64. I have in mind the case of a company which is purely a holding company and whose assets consist only of investments in subsidiaries. Here the document which really conveys valuable information is the consolidated balance sheet of the group; the 'normal' balance sheet, showing issued capital on one side and interests in subsidiaries on the other, is largely of academic interest. Where the holding company carries on a business of its own or has sums invested in fixed assets (as well as having substantial investments in subsidiaries) the relative merits of the consolidated and the 'normal' balance sheet become less distinguishable and both documents have their tale to tell in presenting a true and fair view of the state of the company's affairs.

65. I would, however, like to see a provision in the Act whereby it would be possible, subject to suitable safeguards, to dispense with the publication of what I have described as the 'normal' balance sheet if in the opinion of the directors this document was of no real value to the members. In such cases a note to the accounts would be required reading something like this:

> The company's assets consist mainly of investments in subsidiaries; in the opinion of the directors therefore a balance sheet showing the company's state of affairs alone is of no real value to the members.

66. If such practice became lawful I would expect to see the appropriate amendment to the Act contain a proviso that the consolidated balance sheet should distinguish between the total undistributed profits and reserves of the company and of its subsidiaries.

Appointment of Auditor (Sections 159 and 160)

67. The strange lack of cohesion between subsection (1), which requires every company to appoint an auditor at each annual general meeting, and subsection (2), under which a retiring auditor is deemed to be re-elected without any resolution being passed, of Section 159 are so well known to auditors that it hardly seems necessary to labour again the need for bringing the two into line when the Companies Act is revised. The matter has been ably set out by the Institute in its memoranda to the Board of Trade as will be seen by reference to Appendix B (paragraphs 3 and 4).

68. The 1951 memorandum of the Institute also points out (in paragraph 2) the omission in subsection (2) of Section 160 to require notice to be given to the person whom it is intended to nominate as the new auditor, in cases where a change may be desired. Embarrassment occasionally arises which could be avoided by an amendment on the lines suggested by the Institute.

Auditor's Qualification (Section 161)

69. It is generally recognized that to carry out a satisfactory audit a person must be suitably qualified and there is a strong body of opinion which feels that such qualification cannot be obtained without a minimum period of practical experience in a professional accountant's office. It is therefore unfortunate that under Section 161 (1) a person can be 'qualified' for appointment as auditor of a public company even though he has had no practical experience in a professional accountant's office. It is however necessary to bear in mind that prior to the coming into force of the Companies Act, 1948, there were no provisions at all relating to qualification for appointment as auditor. Section 161 (1) was there-

fore not only a first step but also one in which our legislators deemed it necessary to avoid any possible hardship to unqualified persons by giving the Board of Trade certain powers of authorization.

70. A point which is open to more serious criticism is the proviso to Section 161 (1) whereby an exempt private company is not subject to any restrictions at all in regard to qualification of its auditor. It is unlikely that a public company would appoint anyone other than a properly qualified auditor, so that in practice the defects of Section 161 (1) are to a large extent negatived by the good sense of those responsible for appointing auditors. An exempt private company is, however, often the type of company whose shareholders may not appreciate the importance of having a properly qualified auditor. It seems to me therefore that both in principle and for practical reasons this particular exemption is one which ought to be withdrawn from an exempt private company.

Auditor's Report (Section 162 and the Ninth Schedule)

71. There is no little variety to be found in the words used in auditors' reports since the 1948 Companies Act came into operation. It is generally agreed that reference has to be made to too many matters and that this causes the reports to be clumsy and unnecessarily long. The trouble springs from the heading to the Ninth Schedule which reads: 'Matters to be expressly stated in Auditors' Report'. There then follows a string of subjects to which the auditor has to devote his attention and it seems inevitable, in view of the heading, that he should have to refer to all of them in his report. It is clearly desirable that some revision of the Ninth Schedule be made and the Institute, in 1951, submitted to the Board of Trade an amendment for their consideration. This is reproduced in Appendix B. The point which needs to be brought out is that reference should be made in the auditor's report to certain matters only if he has found them to be unsatisfactory. On the other hand there are certain statements which should be made in every auditor's report, for example that in the auditor's opinion the accounts comply with the Companies Act and give a true and fair view of the state of the company's affairs and of its profit or loss for the period under review. The distinction between what should be mandatory and what should be optional in an auditor's report is given in paragraphs 1 and 2 respectively of the Institute's suggested revision of the Ninth Schedule, as shown in Appendix B.

Directors' Emoluments (Section 196)

72. Because of their fiduciary capacity and their responsibility to the shareholders it is certainly desirable that the total remuneration of directors should be ascertainable from a company's accounts. In general the provisions of Section 196 operate satisfactorily even though on occasions they provide the City editors of certain sections of the Press with amusing but meaningless exercises in simple arithmetic. Any shortcomings revealed by these simple sums cannot, I suggest, be attributed to the Companies Act.

73. In practice, however, certain difficulties arise in the construction of Section 196. Some of these are set out in paragraphs 9, 10 and 11 of the Institute's memorandum of July 6th, 1949 (reproduced in Appendix A), and I will refer briefly to them as well as mentioning one or two other matters the interpretation of which may be open to doubt.

74. In some cases (often where the company has overseas operations) a manager retiring from full-time employment is given a seat on the Board so as to retain his experience in an advisory capacity. If he is granted a pension in respect of his service as a manager (during which period he was not a director of the company) should such pension be included among the directors' emoluments required to be shown under Section 196 (1) (*a*)? Personally I think not, but the Act is not clear on this point. Since this section deals only with directors' emoluments, it is logical to assume that all amounts which have to be shown under its provisions should refer to service as a director. It can happen that a person retires after say twenty-five years service as an employee followed by say fifteen years on the board and then qualifies for a pension under a pension scheme. In such a case it would seem that only that part of his pension which is applicable to the period when he served as a director should be disclosed under Section 196. It is not always easy to ascertain the appropriate part of such a pension, particularly when the pension is based on the closing salary or when the individual's salary has increased after his appointment to the board, and it may therefore be necessary to ask an actuary or the insurance company managing the pension arrangements to supply the necessary details.

75. At the end of subsection (2) we find that it is necessary to include in the total directors' emoluments 'the estimated money value of any other benefits received by (them) otherwise than in cash'. Because of the absence of any easily definable limits this requirement has often led to many an argument between an auditor and his client. The amounts involved are often trivial and one is inclined to feel that rough justice has been done if the director recognizes that there is a benefit which accrues to him and puts even a token value on it. However, inasmuch as such benefits may be taxable in the hands of the recipients any doubt could be removed by amending the provisions of Section 196 so that only the estimated money value of those benefits received 'otherwise than in cash' which is chargeable to income tax need be included in the directors' emoluments.

76. If the information required to be shown by Section 196 is not given in any company's accounts, subsection (8) requires the auditors to give it in their report 'so far as they are reasonably able to do so'. The auditor, however, does not appear to have any

authority to obtain the necessary information, if the directors refuse to give it him, and the amendment to Section 198 (1) suggested by the Institute appears to be most desirable, namely, that directors should supply to the company the requisite information in writing (see Appendix A, paragraph 11).

77. Confusion sometimes arises as to the meaning of subsection (5) of Section 196 in relation to the accounts of subsidiaries some (or all) of whose directors may also be directors of the holding company. This subsection begins as follows:

> '196 (5) The amounts to be shown under each paragraph of the said subsection (1):
>
> (*a*) shall include all relevant sums paid by or receivable from:
>
> (i) the company; and
> (ii) the company's subsidiaries; and
> (iii) any other person
>
> except sums to be accounted for to the company or any of its subsidiaries or, by virtue of section one hundred and ninety-three of this Act, to past or present members of the company or any of its subsidiaries or any class of those members; and
>
> (*b*) shall distinguish, in the case of the amount to be shown under paragraph (*c*) of the said subsection (1), between the sums respectively paid by or receivable from the company, the company's subsidiaries and persons other than the company and its subsidiaries.'

78. It could be argued, I suggest, that the words in (*a*) above 'shall include all relevant sums paid by or receivable from . . . any other person' require the accounts of the subsidiary to disclose as directors' emoluments the remuneration paid by the holding company or fellow-subsidiaries to such of its own directors who are also directors of the holding company or the relevant fellow-subsidiaries. If this is the correct construction one can conceive of cases where the accounts of every subsidiary in a group should contain a note of the total emoluments of all the directors of the group. This situation is surely unintended and practical measures (for instance by the passing of suitably worded board minutes) have been evolved to obviate it, but it seems that the wording of the Act could be altered so as to make it clear that where a company is a subsidiary of another company, the amounts to be shown as directors' emoluments in its accounts are only those payable in respect of duties performed for that particular company and its own subsidiaries.

79. It is not always remembered that in law a body corporate is a legal 'person' and therefore falls within the meaning of 'any other person' in (*a*) (iii) of the above quotation from Section 196 (5). One result of this, if the construction suggested in the preceding paragraph is correct, seems to be that where a director of a holding company is also a director of a subsidiary and he receives emoluments from the holding company which cover his services to both companies then the whole amount is required to be included in the emoluments shown in the subsidiary's accounts, unless the directors make an apportionment as permitted by Section 196 (7). Moreover there is one of those little tail stings in Section 196 (9) whereby if a person is a director of company A. and is appointed by that company to the board of company B. which is not a subsidiary, then company B. must nevertheless be treated as a subsidiary for the purposes of Section 196 with the result that the director's remuneration from company B. must be included in the directors' emoluments disclosed in the accounts of company A. Perhaps these are more in the nature of difficulties of interpretation than shortcomings of the Act itself, though there is certainly scope for clarification and improvement in these important provisions.

80. Finally, in connection with directors' emoluments, there is the case of the payment by a company for services rendered by a firm, one of whose partners is also a director of the company. Such payments can quite properly and legitimately be made to firms of architects, solicitors or even accountants acting in an advisory capacity. There is no doubt that the director concerned is required to disclose his interest to the board, but should there be included in the total directors' emoluments that proportion of the payment made by the company which is deemed to accrue to the director personally in his capacity as a partner in the receiving firm? Personally I should have no hesitation in saying 'No' to such a question, but I do not think that Section 196 is entirely clear on this point.

Loans to Officers etc., of a Company (Section 197)

81. A curious anomaly exists in the words used in the first two subsections of this section. Subsection (1) (*a*) requires a company's accounts to give certain particulars of loans to any 'officer' of the company while subsection (2) (*b*) uses the word 'employee' when exempting loans not exceeding £2,000 from the preceding subsection. In Section 455 an 'officer' of a company is defined as including 'a director, manager or secretary'. Perhaps the word 'employee' was inserted in subsection (2) of Section 197 to avoid the non-disclosure of advances over £2,000 made to employees who in fact acted as officers without holding any specific title of office; or perhaps the intention is merely that the exemption should be allowed in the case of a loan to an officer who is not a director but that there should be no exemption for officers who are directors.

82. Some people hold the view that by inference Section 197 requires a company's accounts to disclose certain particulars of loans over £2,000 to employees as well as particulars relating to all loans to its officers. It seems that wording of the section should be amended so as to make its meaning perfectly clear, though it must be admitted that it is difficult to accept the proposition that the wording of an exemption from a requirement can extend the scope of the requirement itself.

APPENDIX A

Companies Act, 1948

Interim memorandum submitted to the Board of Trade by the Council of The Institute of Chartered Accountants in England and Wales dated July 6th, 1949

On the information available to the Council of the Institute as to experience of the practical application of the Companies Act, 1948, the Council has not considered it necessary to make any representations for early amendment of the Act. The Board of Trade, under the powers conferred by the Act, will readily consider whether the statutory requirements of the Act as to the matters to be stated in a company's balance sheet or profit and loss account can be modified in the case of any particular company, on application being made to the Insurance and Companies Department, Board of Trade, I.C. House, Millbank, London, SW1. The Council has submitted to the Board of Trade the following interim memorandum indicating certain matters for consideration on revision of the Act or the Eighth Schedule thereto.

Return of Allotments (Section 52)

1. In the register of members and the annual return the descriptions of members are no longer required, but the descriptions are required in the return of allotments.

Suggestion: The word 'description' should be deleted from paragraph (*a*) of subsection (1) of Section 52.

Treatment of Share Premiums on Amalgamations (Section 56)

2. Where, as a result of an amalgamation of companies, one of the merged companies (or a new company formed for the purpose) acquires the whole of the share capital or the assets and undertaking of another company in exchange for an issue of its own share capital and the amount credited as paid-up on the shares issued by the acquiring company is lower than the value of the acquired undertaking, the difference is a premium on the shares of the acquiring company and must be so treated in its accounts. The premium may in whole or in part reflect the revenue reserves which existed in the acquired undertaking at the time of the merger. Under the requirements of Section 56 any utilization of the share premium, other than as specified in Section 56 (2), must be made as if it were a reduction of capital and requires the sanction of the Court; it is not available for dividend purposes and is classified as a capital reserve. A substantial body of opinion holds that there should be some machinery whereby in cases where there is such a premium and the identity of the persons holding the shares and the amount of their interest in the aggregate reserves of the companies are substantially the same before and after completion of the merger, the shareholders should be enabled to have the share premium treated as a revenue reserve to the extent that it, in effect, reflects revenue reserves of the acquired companies taken over by the merger. The matter is not free from difficulty, nor does it seem practicable to specify in general terms the tests which should be applied in determining whether relaxation of the present requirements should be made in any particular case.

Suggestion: It is, therefore, suggested that Section 56 should be so amended as to give power to the Board of Trade, on application, in a special case such as that described above, to relax the restrictions on the use of the share premium account and to permit it to be used to an appropriate extent in such a case for revenue purposes.

Exempt Private Companies (Section 129)

3. Under Section 28 the number of shareholders limited to fifty does not include employees and ex-employees. The number of debenture-holders is apparently not limited. Under Section 129 (2) (*b*) dealing with exempt private companies the number of persons holding debentures is limited to fifty, but there is no exception for employees and ex-employees.

Suggestion: It seems appropriate to amend Section 129 so that employees and ex-employees would not be counted in arriving at the limit of fifty debenture-holders.

General Meeting held without Normal Notice (Section 133)

4. Section 133 permits the normal period of twenty-one days' notice of a general meeting to be waived by agreement of all or a large majority of the members entitled to attend and vote. The section makes no reference to the auditors.

Suggestion: Having regard to subsection (4) of Section 162, it is desirable that Section 133 should require the agreement of the auditors.

Circulation of Accounts (Section 158)

5. It has been suggested that a copy of a company's accounts must be sent to mortgagees of assets of the company, by reason of Section 158 and the definition of 'debenture' in Section 455. Such a requirement was presumably not intended, particularly as applied to private companies.

Suggestion: It may be desirable to amend the Act, for example by narrowing the definition of 'debenture' as applied to Section 158, so that the requirement to send accounts should be confined to members and debenture-holders or, alternatively, that accounts need be sent only on demand.

Circulation of Directors' Report (Section 158)

6. Subsection (1) of Section 157 provides that 'There shall be *attached* to every balance sheet *laid before a company in general meeting* a report by the directors. . . .'. Subsection (1) of Section 158 requires the circulation, before the annual meeting, of the balance sheet 'including every document required by law to be *annexed* thereto', but Section 163 provides that references to a document required to be annexed to a company's accounts shall not include the directors' report. There would therefore seem to be no requirement to circulate the directors' report, a position which could not have been intended.

Suggestion: It seems desirable to amend Section 158 so as to require the directors' report to be circulated with the accounts.

Appointment of Auditor (Section 159)

7. Subsection (1) of Section 159 provides that 'Every company shall at each annual general meeting appoint an auditor . . .' which would appear to call for a positive resolution of the meeting. Subsection (2) however provides that 'At any annual general meeting a retiring auditor, however appointed, shall be reappointed without any resolution being passed unless. . .'. The wording of subsection (1) has led to some diversity of practice, both in proceedings at meetings and in the manner of dealing with the appointment on the notices convening meetings.

Suggestion: It seems desirable to amend the wording of subsection (1) of Section 159 so as to take into account the automatic procedure allowed by subsection (2).

8. Under subsection (6) of Section 159 the directors may fill any casual vacancy in the office of auditor, whilst under subsection (2) a retiring auditor 'however appointed' may automatically be reappointed.

Suggestion: Where an auditor has been appointed otherwise than by the company in general meeting, it seems desirable that reappointment should be by specific resolution at the next annual general meeting.

Directors' Emoluments (Section 196)

9. Where a manager of a company retires on pension and is given a seat on the board of directors, it is not clear

from subsections (1), (2) and (3) of Section 196 whether such a pension must be shown separately.

Suggestion: It seems desirable to amend Section 196 so as to make it clear that such a pension does not fall within the section.

10. Subsection (2) of Section 196 refers to benefits otherwise than in cash. Since such benefits have now been brought into the orbit of taxation by the Finance Act, 1948, it would clarify the position under the Companies Act if regard were had only to benefits charged to income tax.

Suggestion: It is desirable that Section 196 should be amended so that benefits 'otherwise than in cash' relate only to benefits charged to United Kingdom income tax.

11. If the requirements of Section 196 are not complied with, subsection (8) places a special duty on the auditors to give the required particulars in their report 'so far as they are reasonably able to do so'. There seems however to be no statutory obligation for directors to give information regarding emoluments *in writing*.

Suggestion: It is desirable that subsection (1) of Section 198 should be amended so that a notice *in writing* shall be required from each director covering all pensions, compensation and emoluments including all benefits received otherwise than in cash.

Jurisdiction in Winding-up (Section 218 (3))

12. Section 218 (3) provides that where the paid-up share capital of a company does not exceed £10,000, the County Court is to have concurrent jurisdiction with the High Court to wind up the company. This seems unduly low in the present state of prices.

Suggestion: It is suggested that the amount of £10,000 in Section 218 (3) might be increased to £25,000.

Annual Return (Sixth Schedule)

13. The Sixth Schedule lays down the form of annual return, which is applicable primarily to a company whose issued capital is in the form of shares.

Suggestion: It would be a convenience to companies whose issued capital consists solely of stock, if a separate form of annual return were issued.

14. The annual return of a company having a share capital must include particulars of shares transferred since the last return (or since incorporation) by persons who are still members and by persons who have ceased to be members (Section 5 of Part II, Sixth Schedule). This requirement involves a great amount of clerical work in preparing the return and doubts have been expressed as to the utility of the information.

Suggestion: It seems desirable to reconsider the object of the requirement and to decide whether it is essential, having regard to the work involved.

Exempt Private Companies (Seventh Schedule)

15. One of the basic conditions under paragraph 1, Seventh Schedule, is 'that no body corporate is the holder of any of the shares or debentures' whereas the exception from that condition allowed by paragraph 6 (1) is for *shares* held by another private company which is itself an exempt private company. It would therefore appear that a private company cannot claim to be an exempt private company if any of its debentures are held by a body corporate, even where such exemption could be claimed if the holding consisted of shares instead of debentures.

Suggestion: It seems desirable to amend paragraph 6, Seventh Schedule, to read throughout 'shares or debentures' instead of 'shares'.

16. The minimum number of members for a private company is two (Section 31) and it is therefore difficult for a company to possess a wholly-owned subsidiary without resorting to nominee holdings in which case there is a loss of 'exempt' status. (It seems to be impossible for a wholly-owned subsidiary of an exempt private company to be itself an exempt private company unless instruments of transfer of nominee holdings are executed in favour of the holding company and withheld from registration – sub-paragraph (4) of paragraph 2, Seventh Schedule.) It is understood that the Registrar of Companies has made a concession in connection with joint holdings and this serves to emphasize the desirability of amendment.

Suggestion: It seems desirable to amend sub-paragraph (1) of paragraph 6, Seventh Schedule, to the effect that the basic conditions shall be subject to an exception for shares held by or as nominee of another private company which is itself an exempt private company.

Balance Sheet Grouping (Eighth Schedule, paragraph 4 (1))

17. Under paragraph 4 (1), Eighth Schedule, the reserves, provisions, liabilities and fixed and current assets are required to be classified under headings appropriate to the company's business. In practice, this gives rise to difficulty; for example, certain assets such as advances to subsidiaries, amounts held by trustees for debenture-holders and short-workings under royalty agreements and other expenditure carried in suspense, may, by their nature, be fixed or current or partly one and partly the other. Before the passing of the Act it was frequently the custom to show under separate headings preliminary expenses and such assets as interests in subsidiaries. In view of the difficulties the Council of the Institute communicated with the Board of Trade in May 1948, and the Board authorized the Council to state that no objection would be taken to an asset not being described as 'fixed' or 'current' if to do so would not be a true and fair description, provided the nature of the asset is stated clearly.

Suggestion: Following the authority given in 1948, it would be desirable to add a proviso to paragraph 4 (1) to the effect that where any item cannot appropriately be classified under any one of the headings referred to, it shall be separately classified and described.

Movements of Provisions and Reserves (Eighth Schedule, paragraph 12 (1))

18. Items (*e*) and (*f*) of sub-paragraph (1) of paragraph 12, Eighth Schedule, provide that amounts set aside to, or withdrawn from, reserves and certain provisions shall be shown in the profit and loss account. It is assumed from sub-paragraph (1) of paragraph 7 that the said items (*e*) and (*f*) apply only to amounts charged or credited to revenue, and do not necessarily require the passage through the profit and loss account of additions to or withdrawals from reserves and provisions which would not normally be passed through that account; the paragraph as drawn is not clear on this point.

Suggestion: It seems desirable to amend the Eighth Schedule so as to make it clear that the requirement is as assumed above.

Taxation (Eighth Schedule, paragraph 12 (1))

19. Item (*c*) of sub-paragraph (1) of paragraph 12, Eighth Schedule, requires the charge for United Kingdom taxation on profits to include '*as* United Kingdom income tax any taxation imposed elsewhere to the extent of the relief, if any, from United Kingdom income tax'. The use of the word 'as' has the effect of requiring non-United Kingdom taxation to be described as United Kingdom income tax.

Suggestion: It is desirable for the word 'with' to be substituted for the word 'as'.

20. Item (*c*) of sub-paragraph (1) of paragraph 12, Eighth Schedule, refers to relief 'from United Kingdom income tax', but no reference is made to relief from United Kingdom profits tax. Under the taxation regulations now in force relief for overseas taxation is given first against profits tax.

Suggestion: It is desirable for the reference to relief from 'United Kingdom income tax' to be amended to relief from 'United Kingdom taxation on profits'.

Auditors' Remuneration (Eighth Schedule, paragraphs 13 and 17)

21. Under paragraph 17, Eighth Schedule, a consolidated profit and loss account must combine the information contained in the separate profit and loss accounts of the company and its subsidiaries. The separate accounts generally show the auditors' remuneration only in those cases where it is not fixed by the company in general meeting (paragraph 13, Eighth Schedule) and not necessarily then in the case of overseas subsidiaries. Consequently it is valueless to show in the consolidated profit and loss account an aggregate of the items of auditors' remuneration which happen to appear in the separate accounts. Normally such an aggregate would not be the total auditors' remuneration within the group and its omission from the consolidated accounts would not be contrary to the object of paragraph 13, Eighth Schedule, which is to ensure that the members of a company shall be aware of the cost of auditing their company's accounts if the amount has not been fixed in general meeting. It may also be noted that in the case of some overseas subsidiaries there is doubt as to who should be regarded as auditors for the purpose of aggregating remuneration.

Suggestion: Whilst the remuneration of the holding company's auditors (if not fixed by the company in general meeting) should continue to be shown in its own profit and loss account, or in the consolidated profit and loss account if the holding company's account is so framed, it would be desirable to amend the Eighth Schedule so as to make it unnecessary in consolidated accounts as such to show any aggregate of auditors' remuneration. This would bring the requirements in regard to audit fees into line with the requirements in relation to directors' emoluments as prescribed by paragraph 19 of the Schedule.

Requirements where no Group Accounts are submitted (Eighth Schedule, paragraph 15 (4))

22. Attention is drawn to paragraphs 158 to 165 of the Institute booklet (copy attached)[1] on the Companies Act, 1947, relating to what are now items (*b*) and (*c*) of sub-paragraph (4) of paragraph 15, Eighth Schedule. Paragraph 165 of the booklet was included with the authority of the Board of Trade.

Suggestion: Paragraph 15 of the Eighth Schedule requires amendment so as to give effect to the apparent intention of the Act as expressed in paragraph 158 of the Institute's booklet.

July 6th, 1949.

APPENDIX B

Companies Act, 1948

Second interim memorandum submitted to the Board of Trade by the Council of The Institute of Chartered Accountants in England and Wales, indicating certain matters relating to auditors for consideration on revision of the Act and the Ninth Schedule thereto, dated April 23rd, 1951.

Ninth Schedule

1. Annexed to this memorandum is a draft of a revised Ninth Schedule to the Companies Act, 1948, for consideration with a view to its adoption on the occasion of the introduction of any measure affecting the qualification as auditor or on other suitable occasion.

Nomination of a New Auditor (Section 160)

2. Section 160 requires special notice to be given for a resolution at a company's annual general meeting appointing as auditor a person other than the retiring auditor. The section provides that the company shall forthwith send a copy of the notice to the retiring auditor.

Suggestion: It is suggested that Section 160 should be amended so as to provide that notice of the intended nomination of a new auditor shall be sent to the person nominated as well as to the existing auditor.

Appointment of Auditor (Section 159)

Note. – The following two suggestions were made in paragraphs 7 and 8 of the first interim memorandum dated July 6th, 1949, but are repeated here for convenience as they also relate to auditors.

3. Subsection (1) of Section 159 provides that 'Every company shall at each annual general meeting appoint an auditor . . .' which would appear to call for a positive resolution of the meeting. Subsection (2) however provides that 'At any annual general meeting a retiring auditor, however appointed, shall be reappointed without any resolution being passed unless . . .'. The wording of subsection (1) has led to some diversity of practice, both in proceedings at meetings and in the manner of dealing with the appointment on the notices convening meetings.

Suggestion: It seems desirable to amend the wording of subsection (1) of Section 159 so as to take into account the automatic procedure allowed by subsection (2).

4. Under subsection (6) of Section 159 the directors may fill any casual vacancy in the office of auditor, whilst under subsection (2) a retiring auditor 'however appointed' may automatically be reappointed.

Suggestion: Where an auditor has been appointed otherwise than by the company in general meeting, it seems desirable that reappointment should be by specific resolution at the next annual general meeting.

Annex referred to in paragraph 1 above

Draft of a revised Ninth Schedule for consideration by the Board of Trade with a view to its adoption on the occasion of the introduction of any measure affecting the qualification as auditor, or on other suitable occasion.

NINTH SCHEDULE

Statements to be contained in the Auditors' Report

1. In their report the auditors shall state:

(*a*) Whether in their opinion the balance sheet and profit and loss account of the company or, in the case of a holding company submitting group accounts, the said accounts of the company and the group accounts, are properly drawn up in accordance with the provisions of this Act so as to give a true and fair view of the state of the company's affairs at the date of its balance sheet and of its profit or loss for its financial year ended on that date; or

(*b*) In the case of a company entitled to the benefit of Part III of the Eighth Schedule to this Act, whether in their opinion the balance sheet and profit and loss account of the company or, in the case of a holding company submitting group accounts, the said accounts of the company and the group accounts, are properly drawn up so as to disclose the state of the company's affairs at the date of its balance sheet and its profit or loss for its financial year ended on that date, so far as is required by the provisions of this Act applicable to the class of company concerned.

2. The auditors' report shall contain statements which in their opinion are necessary in any of the following circumstances if:

(*a*) They have not obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of their audit;

(*b*) So far as appears from their examination, proper books of account have not been kept by the company;

(*c*) Proper returns adequate for the purposes of their audit have not been received from branches not visited by them;

(*d*) The company's balance sheet and profit and loss account are not in agreement with the books of account and returns from branches.

(The concluding part of this lecture together with Appendices C, D, and E will appear in our next issue.)

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[1] Reproduced as Appendix D.

Weekly Notes

The Institute's Autumn Meeting

THE twenty-third autumn meeting of The Institute of Chartered Accountants in England and Wales opens next Thursday and continues until Saturday afternoon. The committee and members of the London and District Society of Chartered Accountants are acting as hosts for the occasion, and it is fitting that the first autumn meeting since integration with The Society of Incorporated Accountants should take place in the capital.

The meeting opens on Thursday morning with a service at St Paul's Cathedral, to be followed by a welcome by the Rt. Hon. The Lord Mayor of London, and an address by the President of the Institute at the Royal Festival Hall, where all the business sessions will be held.

In the afternoon two papers will be given: 'The future role of the accountant in practice', by Mr H. A. Benson, C.B.E., F.C.A., and 'The future role of the accountant in industry', by Mr W. W. Fea, B.A., A.C.A. A reception and dance is to be held in the evening.

On Friday, there will be a choice of visits and excursions, or golf competitions. In the evening, a large number of members and their ladies will see *My Fair Lady*.

The final paper, 'The progress of tax reform', will be given on Saturday morning by Sir William Carrington, F.C.A., and the meeting closes at midday with a cocktail party at the Royal Festival Hall.

The proceedings will be fully reported in subsequent issues.

'Options' Again

OPTION dealings are likely to be resumed on the London Stock Exchange on October 7th after a lapse of nearly twenty years. A special committee of the Stock Exchange Council has now framed the rules for this type of dealing through which an agreed sum is paid for the right either to buy or sell shares at a fixed price on a future date. The new rules differ from those pre-war in three main points. An extra day has been allowed for squaring up positions; the buyer of an option is given the right to declare his option once in each account (this replaces the old facility of forward dealing) and no option business on an 'ex dividend' basis is permitted. The rules are subject to approval by the Council on October 6th.

Member firms will be required to make a quarterly return of options outstanding and this requirement is viewed, in the market, as a check on the payment position. It had been suggested that option business should be put on a cash basis but the pre-war rule of paying on the account day following the closing or expiry of the option still stands.

There is unlikely to be any real volume of business in the early stages. There are not many in the 'House' with an intimate pre-war experience of option dealing and the market machinery may take some time to run in. It might be added that although most members voted in favour of a resumption of option dealings they did so largely because they saw no reason why those who wanted to deal should not be allowed to do so. The majority apparently have little intention of making use of the facility.

Notes on National Insurance Benefits

THE Ministry of Pensions and National Insurance has published a revised issue of notes on overlapping benefits, pensions and allowances. They contain a caveat that they are not an authoritative exposition of the law but nevertheless they constitute a most useful guide through the maze of the various regulations directed against the payment of double benefit for the same circumstances. The notes set out in clear language certain basic principles and then develop the theme by examples. There is a most useful table showing the impact of one benefit on all other possible benefits. One thing conspicuously lacking is any attempt to give references to the relevant regulations but no doubt the latter change so frequently as to make their inclusion in the notes misleading.

Development Corporation for Wales

THE Development Corporation for Wales has now been launched with Sir Miles Thomas as chairman. It is an organization of industrialists already interested in the development of Welsh industry. The corporation has twelve other members including two chartered accountants, Mr N. R. R. Brooke, A.C.A., and Mr E. Julian Pode, A.C.A., who is the deputy chairman.

Although the corporation has the approval of the Government, it will not receive public funds but will be a wholly independent body, financed and administered by industry and collaborating with the trade unions and local authorities. According to Sir Miles Thomas the Corporation expects to make a modest beginning on a fairly narrow industrial front. Its function will be the hard-headed one of attracting industry to Wales and it will probably operate broadly on the same basis as the development council in Scotland which has never allowed practical issues to become swamped under a mass of reports and fact-finding exercises.

Development in Scotland and Ulster

THE inception of the new Development Corporation for Wales has been accompanied by a counterblast from elsewhere in the United Kingdom. The Scottish Board for Industry, which is composed of employers' and trade union representatives as well as of Government departments in Scotland, has criticized the reaction of industry to the Government's promise of assistance for areas of heavy unemployment. It has asked the Government to provide more employment, if need be, by financing public works. This would no doubt be palliative for a short time but it will not help Scotland's long-term problems of providing a large expansion of activity in a cyclical industry like civil engineering when Scotland's problem is to even out the trade cycle.

Over in Ulster, the Ministry of Commerce continues to seek out companies to establish new factories to offset Northern Ireland's dependence on heavy engineering. A team is being sent from the Ministry in the next few weeks to approach manufacturers in the Midlands on the advantages of opening up factories in Ulster.

There is thus growing competition for new enterprises among regions suffering from heavy unemployment. In so far as this represents an enterprising attitude on the part of regional development authorities to sell the advantages of their particular region, it is all to the good and is certainly preferable to direction of undertakings by the Government to depressed areas.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Board and Lodgings Allowances

SIR, – From time to time we hear of arrangements whereby firms, for example in London, pay board and lodging allowances for employees they take from other branches. Do any of your readers know whether such payments are allowed against the Schedule D assessment for the company, but are not charged against the Schedule E for the employee?

We are finding more and more that we are having to take people from other towns and lodgings can be a very expensive item. We do not want to upset our salaries scale by offering much larger salaries to these people. On the other hand we are prepared to meet some of the difference.

Yours faithfully,
'BOARD AND LODGINGS'.

Financial Control

SIR, – In his article entitled 'The director and financial control' (September 13th issue) Mr Risk deals almost summarily with what is perhaps the most important subject in an otherwise well-balanced review: I refer to the 'screening' of capital expenditure projects for which he lists four 'accounting devices'. Only the first of these approaches the subject on true accounting lines, and as regards the fourth one might indeed ask why a project should be under consideration at all if it is necessary to take into account the possibility of a sale of plant at break-up values!

The fact is that before any sizeable schemes are undertaken by large industrial units there is usually considerable discussion of the pros and cons of a number of projects competing for the available capital. The merits of such alternative plans are not usually capable of being reduced to simple 'pay off' or 'break-even' calculations. In the circumstances in which we live today unexpected hazards are liable to arise at almost any time, and are often quite unforseeable by even the best informed management; the longer a project (or group of projects) takes to reach fruition, the greater the risk involved. This suggests that it will usually be safer to proceed by small, quickly-completed stages, which are easier to control and much less vulnerable than an ambitious long-term programme. When trouble comes it is usually either because too little has been done in the past (promoting an exaggerated sense of urgency for retrenchment), or else that too much is then attempted to try to make up the 'arrears', although circumstances may no longer be favourable for expansion.

In practice the choice between competing schemes is always difficult, however well substantiated these may be by statistics of past performance and estimates of probable future return on capital, and management will always be influenced as much by its personal judgement as by any evidence presented to it however expertly and impartially prepared. It would be a pity therefore to give the impression that decisions on important capital projects can be made on the basis of relatively simple arithmetical calculations.

Yours faithfully,
Rugby. W. P. STANLEY WOOD, A.C.A.

Treatment of Profits in Contractors' Accounts

SIR, – We would like to obtain the views of readers on the treatment of profits in the accounts of large engineering contractors, where individual contracts take, say, two or three years to complete. In particular we have in mind contracts for the construction of dams and reservoirs and wish to know the basis adopted to determine what amount should be set aside to provide for the possibility of the contractor having to incur considerable expense in order to rectify work which proved defective after the contract was completed.

Yours faithfully,
CONTRACTORS.

Finance and Commerce

First Glance, Second Thoughts

MR PETER CADBURY, Chairman of Keith, Prowse & Co Ltd, who has done so much to put this theatre ticket and travel agency financially on its feet, admits in his statement with the accounts which are reprinted this week, that 'at first glance it may appear that your company has not succeeded in this year under review in increasing its profits over those earned in 1957'.

Looking at the accounts, the first glance shows – and the fact stands out clearly – that group profit before taxation was £34,056, against which stands £46,790 for the previous year but subject to the exceptional item just above of £7,565.

Mr Cadbury, however, reminds shareholders that last year's accounts showed £14,481 received in royalties earned from music publishing copyrights, before their acquisition in September 1955 by the Keith Prowse Music Publishing Co. It is unlikely, he says, that there will be any further income from this source and the investment which was retained in Keith Prowse Music Publishing Co has now been sold at the figure appearing in the balance sheet.

When the chairman of a company admits that profit figures can be misconstrued, everything possible should be done to prevent misconception. If the previous year's figures include £14,481 for which adjustment must be made before they can be seen in proper perspective, then this should be so stated in the accounts, possibly with a reference to an explanatory note outside the figures.

Small Shareholdings

ASHE Chemical Ltd, under the chairmanship of Mr F. T. Wright, F.C.A., finds itself with over 1,000 of its 3,000 or so shareholders holding less than fifty ordinary shares. The aggregate of these small holdings amounts to about one-quarter of 1 per cent of the issued capital, and the directors are asking for special powers to deal with them.

KEITH, PROWSE & COMPANY, LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1958.

		£	£	*Year to 31st March, 1957.* £	£
Trading Profit of the year before taking into account the items set out below			48,778		*56,976*
Add: Income from Investments		806		*533*	
Interest on loans		3,029		*1,004*	
Interest on Tax Reserve Certificates		305		*144*	
Profit on Sale of Sundry Assets		250		*139*	
			4,390		*1,820*
			53,168		*58,796*
Deduct:					
Depreciation and Amortization		7,869		*7,262*	
Remuneration of Directors of Keith, Prowse & Co., Ltd:—					
For services as Directors	£2,438				
Other Emoluments	7,525				
		9,963		*11,384*	
Provision for Auditors' Fees		1,280		*925*	
			19,112		*19,571*
			34,056		*39,225*
Add: Exceptional Item—Surplus on surrender of Insurance Policies			—		*7,565*
Group Profit before Taxation			34,056		*46,790*
Less: Provision for Taxation based on profits of the year:—					
Income Tax	£16,097			*23,192*	
Profits Tax	2,750			*4,700*	
Overseas Taxation	93			*227*	
		18,940			
Less: Overprovision in previous years		3,295		—	
			15,645		*28,119*
Balance, being Net Profit after Taxation (of which £15,044 has been dealt with in the accounts of Keith, Prowse & Company, Limited)			18,411		*18,671*
Add: Balances brought forward at 31st March, 1957:—					
Keith, Prowse & Co., Ltd.	£8,821			*596*	
Subsidiaries	878			*51,741*	
		9,699			
Amount written off Investment in Associated Company now written back		2,271		—	
			11,970		*52,337*
			30,381		*71,008*
Less: Preliminary Expenses written off		67		—	
Amount written off Investment in Associated Company		—		*4,500*	
Pre-acquisition Profit of a Subsidiary transferred to Capital Reserve		—		*50,170*	
Dividends paid (*less* Income Tax):—					
To Minority Shareholders of a Subsidiary		168		*199*	
To Preference Shareholders of Keith, Prowse & Co., Ltd., for year to 31st March, 1958 (paid 29th May, 1958)		3,220		*6,440*	
			3,455		*61,309*
Balance carried forward per Consolidated Balance Sheet:—					
Keith, Prowse & Co., Ltd.		22,916		*8,821*	
Subsidiaries		4,010		*878*	
			£26,926		*£9,699*

KEITH, PROWSE & COMPANY, LIMITED

BALANCE SHEET AS AT 31st MARCH, 1958

	£	£	31st March, 1957 £	31st March, 1957 £
CAPITAL AND RESERVES—				
Share Capital—Authorised, Issued and Fully Paid:—				
80,000 7% Cumulative Preference Shares of £1 each ..	80,000			
60,000 Ordinary Shares of £1 each	60,000	140,000		140,000
Capital Reserve—				
As at 1st April, 1957	45,182			
Add: Consideration for waiver of restriction on use of property sold	2,500			
	47,682			
Less: Amount written off cost of Shares of a Subsidiary	32,790	14,892		45,182
Revenue Reserves—				
General Reserve	14,000		14,000	
Profit and Loss Account	22,916	36,916	8,821	22,821
		191,808		208,003
AMOUNT SET ASIDE FOR FUTURE TAXATION ..		11,000		14,500
LOAN FROM A SUBSIDIARY	39,250			
Less: Proposed Dividend (net)	5,750	33,500		29,250
CURRENT LIABILITIES AND PROVISIONS—				
Creditors and Accrued and Contingent Liabilities ..	186,904		189,597	
Current Taxation	16,104		27,976	
Dividend on Preference Shares for year to 31st March, 1958, *less* Income Tax (since paid)	3,220	206,228	6,440	224,013
		£442,536		£475,766

PETER E. CADBURY, } *Directors.*
M. R. SOAMES, }

	£ *Cost or book value at 1st April, 1948*	£ *Depreciation*	£	31st March, 1957 £	31st March, 1957 £
FIXED ASSETS—					
Leasehold Premises	36,891	8,859	28,032		29,170
Main Automatic Telephone Exchange	22,216	3,795	18,421		19,531
Furniture, Fixtures and Fittings	27,225	9,877	17,348		18,340
Motor Vehicles	5,532	1,577	3,955		2,571
	£91,864	£24,108	67,756		69,612
GOODWILL—					
At Cost, *less* Realisations and amount written off			1		1
SUBSIDIARIES—					
Shares at Cost		119,560		119,560	
Less: Amount written off being premium paid on acquisition of shares in one Subsidiary (less undistributed profit at date of acquisition)		32,790			
		86,770			
Add: Amounts due on Current Accounts ..		2,928	89,698	2,563	122,123
INVESTMENTS—					
Associated Company—					
Shares at cost less amount written off	20,271				
Add: Temporary Loan	11,250	31,521		27,000	
Other Investments, at cost—					
Trade Investments:					
Quoted (Market Value £1,696)	1,806			—	
Unquoted	50			50	
British Government Securities:					
(Market Value £29,125) .. .. (Market Value *1957 £17,592*)	31,333			20,038	
Sundry Investments (Unquoted)	2,250	35,439	66,960	525	47,613
CURRENT ASSETS—					
Stocks		61,836		55,906	
Debtors *less* provision for Doubtful Debts ..		57,749		60,056	
Payments In Advance		963		1,040	
Forward Purchases		34,267		18,652	
Tax Reserve Certificates		7,075		—	
Cash at Bank, in Hand and at Short Call ..		56,231	218,121	100,763	236,417
			£442,536		£475,766

KEITH, PROWSE & COMPANY, LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 1958

		£	£	31st March, 1957 £	£	£
CAPITAL AND RESERVES—						
Share Capital of Keith, Prowse & Co., Ltd.—						
Authorised, Issued and Fully Paid—						
80,000 7% Cumulative Preference Shares of £1 each		80,000				
60,000 Ordinary Shares of £1 each		60,000	140,000			140,000
Capital Reserves—						
As at 1st April, 1957		52,366				
Add: Consideration for waiver of restriction on use of property sold		2,500				
		54,866				
Less: Premium paid on acquisition of Shares in a Subsidiary (*less* undistributed profit at date of acquisition)		32,790	22,076			52,366
Revenue Reserves—						
General Reserve—Keith, Prowse & Co., Ltd. ..		14,000			14,000	
Profit and Loss Accounts:						
Keith, Prowse & Co., Ltd. ..	£22,916			8,821		
Subsidiaries	4,010	26,926	40,926	878	9,699	23,699
			203,002			216,065
AMOUNT SET ASIDE FOR FUTURE TAXATION			20,800			22,600
MINORITY INTEREST IN A SUBSIDIARY ..			3,900			3,900
CURRENT LIABILITIES AND PROVISIONS—						
Creditors and Accrued and Contingent Liabilities		245,193			226,900	
Current Taxation		16,140			27,976	
Dividend on the Preference Shares of Keith, Prowse & Co., Ltd. for the year to 31st March, 1958, *less* Income Tax (since paid)		3,220	264,553		6,440	261,316
			£492,255			£503,881

		£ Cost or book value at 1st April, 1948	£ Depreciation	£	31st March, 1957 £	£
FIXED ASSETS—						
Leasehold Premises		88,070	11,614	76,456		78,971
Main Automatic Telephone Exchange		22,216	3,795	18,421		19,531
Royal Albert Hall Seats		1,219	386	833		894
Furniture, Fixtures and Fittings		31,987	12,311	19,676		20,716
Motor Vehicles		5,532	1,577	3,955		2,571
		£149,024	£29,683	119,341		122,683
INVESTMENTS—						
Associated Company—						
Shares at cost		22,500				
Less: Amount written off		2,229				
		20,271			18,000	
Temporary Loan		11,250	31,521		9,000	27,000
Other Investments, at cost—						
Trade Investments:						
Quoted (Market value £1,696)	£1,806					
Unquoted	100	1,906			100	
British Government Securities—(Market Value £29,125) .. .. (Market Value *1957, £17,592*)		31,333			20,038	
Sundry Investments (Unquoted)		2,250	35,489	67,010	525	20,663
CURRENT ASSETS—						
Stocks			76,007		69,927	
Debtors, *less* provision for Doubtful Debts ..			78,145		79,246	
Payments in Advance			1,848		2,514	
Forward Purchases..			50,721		28,393	
Tax Reserve Certificates			7,075		7,500	
Cash at Bank, in Hand and at Short Call ..			92,107	305,903	113,097	300,677
GOODWILL—						
Goodwill of Keith, Prowse & Co., Ltd., at cost *less* realisations and amount written off			1		1	
Premium paid on acquisition of shares in a Subsidiary (*less* undistributed profit at date of acquisition)		32,790				
Less: Amount written off		32,790	—		32,790	
Preliminary Expenses of a Subsidiary			—	1	67	32,858
				£492,255		£503,881

The board state that they are aware that owing to the incidence of stamp duty, registration fees and brokerage, it is often impracticable for shareholders to realize a small holding: the expenses of doing so can exceed the market value of the shares. They are also aware that owing to the difficulty of disposing of small holdings, personal representatives do not always bother to record their transmissions arising on death, and an increasing number of shares thus become untraceable. It will also be appreciated, the board comment, that the cost of distributing dividends to holders of small shareholdings often exceeds the amount distributed.

Amended Articles

It is therefore proposed that the board should be given special powers for a stated period to sell holdings of less than fifty shares. The form of the amendment to the articles is interesting. It is as follows:

> 'Where the total number of ordinary shares registered in the name of any member or in the joint names of any members is less than fifty, the board may at any time on or after September 15th, 1958, and up to and including October 1st, 1958, resolve that it is desirable that all or any of the shares so registered be sold and in pursuance of such resolution the board may at any time up to and including October 1st, 1958, sell such shares at the current market price, and for giving effect to any such sale may appoint some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale. The net proceeds of sale shall be held by the company in trust for the persons who were the registered holders of the shares at the date of the sale and shall be paid to them against surrender of the share certificates relating thereto. Moneys held in trust under this article shall not bear interest as against the company.'

The board say that in giving four weeks' notice of the meeting, they are providing holders of less than fifty shares who may want to make their own arrangements, with the opportunity to sell or to increase their holding to fifty shares or more.

CITY NOTES

THE stock-markets are still in the mood to discount the effects of the latest moves towards the easing of trade restrictions. The hire-purchase moves on the home front have been followed by the lifting of further curbs on dollar imports.

The latter move has re-emphasized the growing strength of sterling but suggestions that sterling is now in line for early full convertibility would seem to be an over optimistic reading of the developments.

Gold and dollar reserves may look impressively strong compared with their level a year ago but the official view may well be that the reserves need considerable further strengthening before sterling can be expected to hold its own in a completely free foreign exchange market.

So far as the stock-market is concerned, however, there is reason enough to consider the latest developments in a 'bullish' light although it must be agreed that present prices of industrial equities are now discounting events some way ahead. A period of consolidation appears probable in the absence of any fresh incentive in the shape of a further dismantling on the remaining indirect credit controls.

There is a noticeable investment tendency at present to move beyond the accepted industrial equity leaders where current yields in many instances are well below 5 per cent. This broadening of investment interest is indicative of the growing feeling of confidence.

Activity in the share markets, however, has not prevented a continued flow of money into 'small savings'. The National Savings figures still reflect a disposition to take full advantage of existing interest rates while they last.

RATES AND PRICES

Closing prices, Tuesday, September 23rd, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 27, 1958	4½%

Treasury Bills

July 18	£4 4*s* 11·39*d*%	Aug. 22	£3 14*s* 6·25*d*%
July 25	£4 3*s* 2·26*d*%	Aug. 29	£3 15*s* 2·47*d*%
Aug. 1	£4 0*s* 2·49*d*%	Sept. 5	£3 14*s* 0·93*d*%
Aug. 8	£3 17*s* 3·63*d*%	Sept. 12	£3 13*s* 6·81*d*%
Aug. 15	£3 14*s* 5·00*d*%	Sept. 19	£3 11*s* 9·20*d*%

Money Rates

Day to day	2¾–3⅝%	*Bank Bills*	
7 days	3½–3⅝%	2 months	3 21/32–3 25/32%
Fine Trade Bills		3 months	3 21/32–3 25/32%
3 months	4½–5¼%	4 months	3 21/32–3 25/32%
4 months	4½–5¼%	6 months	3 23/32–3 27/32%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80⅝–11/16	Frankfurt	11·68¼–½
Montreal	2·73 5/16–7/16	Milan	1741¾–2¼
Amsterdam	10·56⅛–¼	Oslo	20·00⅛–⅜
Brussels	139·15–·17½	Paris	1175–¾
Copenhagen	19·32⅞–·33⅛	Zurich	12·20⅛–⅜

Gilt-edged

Consols 2½%	51½	Funding 4% 60–90	89
Consols 4%	75 15/16	Savings 2½% 64–67	82 11/16
War Loan 3½%	68⅝	Savings 3% 55–65	89 5/16
Conversion 3½%	67 7/16 xd	Savings 3% 60–70	79 5/16
Conv'sion 3½% 1969	85 15/16	Savings 3% 65–75	73 9/16
Exc'quer 5½% 1966	101⅝	Treasury 2½%	49 15/16
Funding 3% 66–68	82 15/16	Treasury 3½% 77–80	77
Funding 3% 59–69	81 5/16	Treasury 3½% 79–81	76
Funding 3½% 99–04	73 11/16	Victory 4%	93⅞

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

SPECIAL GENERAL MEETING

A special general meeting of members of The Institute of Chartered Accountants of Scotland was held in Edinburgh on Friday of last week, with Mr R. Ian Marshall, B.COM., C.A., President of the Institute, in the chair.

EXTRACTS FROM PRESIDENT'S ADDRESS

After referring to the loss sustained by the Institute through the death of Mr Robert Gordon Simpson, M.C., the first President of the Institute of Chartered Accountants of Scotland, the President outlined the activities of the Council and its committees in the six months since the annual general meeting. He said that the Policy Committee and its subcommittees are making a complete reassessment of the Institute's activities. He does not expect their report until next year and at this stage he cannot attempt to anticipate what recommendations they will make. The President continued:

Law Reform Committee (Scotland)

An activity which seems to require our attention almost continuously is that of giving evidence on various subjects to Royal Commissions and departmental committees. We submitted evidence to the Law Reform Committee (Scotland) and recommended some alteration in the law as established in *British Transport Commission v. Gourley* ([1956] A.C. 185). I believe that the Law Reform Committee (Scotland) has not yet reported, but in August the report of the corresponding committee in England was published, and it appears from it that that Committee had before it the evidence which we had given to the Scottish committee. The English committee found itself so divided that it was unable to make any recommendations, so that presumably *Gourley* is likely to remain the law in England – and probably in Scotland too. The English committee envisages that the matter may have to be reconsidered before very long, and I myself feel confident that this is inevitable.

Recently we submitted a memorandum to the Departmental Committee on Civil Jury Trials in Scotland. In the Council's opinion, a jury is not suitable for the trial of actions for damages for professional negligence or for complicated issues involving expert evidence from professional witnesses.

Another subject on which we are preparing a memorandum of evidence for the Law Reform Committee (Scotland) concerns various possible alterations in the law, particularly with regard to the restrictions imposed on the constitution of security over moveable property.

Since we last met, the Council has expressed views on various subjects to the Chancellor of the Exchequer, the Board of Inland Revenue and the Board of Trade, and on most of the subjects under review has been able to act in close liaison with the English and Irish Institutes.

At the invitation of the British Standards Institution we have appointed a representative to serve upon the technical committee which is considering the layout, sizes etc. of commercial forms and stationery, dividend warrants, counterfoils, and the like.

Electronic Data Processing

Electronic Data Processing – E.D.P., to use the initial jargon – is of increasing importance to members of the Institute and we must keep ourselves up to date with regard to it. It is not so much a question of arousing interest in the subject amongst those who are concerned with the affairs of vast undertakings because such undertakings have people available who can spend months on ascertaining whether any, and if so what, E.D.P. equipment should be introduced by that undertaking. What I think we are much more concerned with as an Institute is that as time goes by E.D.P. service centres will be set up and we must find out what use could and should be made of them by medium-sized and smaller concerns. To stimulate interest in this aspect of the matter the Council has appointed a special committee with powers to arrange an E.D.P. course for our members. It is likely that this course will concentrate on 'what the user wants' rather than on 'how it works'. I hope that this course will be the first of several and will be as successful as our summer school, which ended earlier this week and which I am glad to say was attended by more people than ever before.

Lister Committee's Report

After a reference to the Institute's retirement benefit schemes, the President continued:

I turn at last to what is perhaps the most important project that we have on foot at this time – I refer of course to the Lister Committee's proposals with regard to the examination and training of apprentices.

Two months ago the Council reconsidered the Lister Committee's proposals and various minor adjustments to those proposals which the Council had resolved upon since it first discussed the Lister Committee's report on February 3rd, 1956. The reason why the matter came before the Council in that way was that there had been in the intervening period so many changes in the membership of the Council that I felt it desirable that our present Council should have a full opportunity of expressing its views on the proposals. There was a thoroughgoing discussion and I am glad to tell you that, just as happened on February 3rd, 1956, so on June 20th, 1958, the Lister Committee's report (subject to the minor modifications that I have mentioned) was approved. Our negotiations with the Scottish Universities have in their nature been lengthy but we hope that they are now near finality.

The delay in reaching a decision on this important matter has, I know, been irksome to some of us and if I were not a C.A. in practice and therefore precluded from indulging in prophecy I might express the hope that before we meet again next March we shall have held the special general meeting of members to consider the necessary amendments in the Institute's rules to enable the examination and training proposals to be put into effect.

In conclusion the President said:

The members of the Council and of the Committees are fully conscious of their responsibilities: we look for your support and help and you will need no reminder that the continued success and progress of the Institute depends largely upon the extent to which you, the members, take part in its activities.

ADMISSION OF NEW MEMBERS

A resolution was passed admitting 65 applicants to membership of the Institute. The President welcomed individually the new members who were present at the meeting.

COST ACCOUNTANTS' SUMMER SCHOOL

NINTH RESIDENTIAL COURSE AT CAMBRIDGE

The ninth summer school of The Institute of Cost and Works Accountants was held this week at St Catharine's College, Cambridge. The opening address on Monday evening was given by the President of the Institute, Mr Henry J. Furness, F.C.W.A.

The Cost Accountant in a Recession

At the first session of the course on Tuesday morning, Mr E. F. Brown, F.C.W.A., chief accountant, Howard Farrow Ltd, gave a paper on 'The Cost Accountant in a period of Recession' and opened by defining the malady and its causes. Not to be confused with a fall in the level of business, which can occur through a variety of causes, he characterized a recession as something which, like German measles, clears up when the disease has run its appointed course. 'Businesses', he said, 'have this in common with the big dipper; the bigger the dipper, the bigger the dips'.

Mr E. F. Brown

The cost accountant's work in treating the recession should be largely done by the time the recession becomes evident, as it is then too late to start preparing, designing, and proving the structure of his figure work. The author indicated possible pointers to a coming recession, showed how a recession may provide an appropriate time for examining and possibly overhauling procedures not necessarily restricted to those fundamental to the malady; he warned against confusing purposeful cost reduction with mere cost cutting, and against allowing the estimator to become infected with recession nerves and alter the standards upon which his estimating is founded.

Mr Brown feels that the marginal concept of costing is of value, but that the marginal cost needs to be defined afresh at every change in the level and mixture of activity, and that the idea of a rigid division between fixed and variable costs is out-dated, and should be avoided. He concluded by showing that market, financial, and other conditions after the recession must not be expected to be identical with those prevailing before it.

Ratio of Fixed to Variable Costs

In the paper given by Mr E. B. Bishop, F.C.W.A., A.C.I.S., group cost accountant, C. C. Wakefield & Co Ltd, on Tuesday evening, the author drew attention to opposing schools of thought on the incidence of 'fixed' and 'variable' costs, disagreeing with both extremist points of view and showing that, with the development of automation, even direct labour costs are tending to give place to costs more widely separated from the product, and cost ratios are in a state of evolution.

Clarifying the purpose of developing costing theories and techniques as assisting in the promotion of the most effective business activities, and the function of cost control after these activities are planned, Mr Bishop postulated new definitions of 'fixed' and 'variable' costs taking into account their controllability within the long-term plan. He suggested costing procedures suitable to meet modern conditions, showing their relationship with the performance budget and how the preparation of this involves most careful assessment of fixed and variable elements under their new definitions. Referring to the resemblance of this to the marginal costing concept, he suggested the use of the term 'differential costing' for those whose blood pressure rises dangerously at the sound of the word 'marginal'! He considers it inadvisable to take expenditure on fixed costs direct from the financial books in the short-term, and discussed the effect of the long-term plan on the integration of accounts, with particular reference to spreading certain expenditure over a longer period than a year, and the differences between financial accounting and costing viewpoints on provisions.

Mr E. B. Bishop

Defining conversion costs as all costs incurred at the factory other than those relating to basic production or direct material, the author advocated charging these together as a single service to job or product, stressed the dependence of cost control in the long-term plan upon the adequacy of predetermined cost information as a yardstick, and preparedness to take remedial action. Variances should preferably be expressed in practical terms understood where investigation is taking place, rather than on a cost basis; it is increasingly important that analysis be careful and consistent in the effective control of costs and the elimination of waste, but unnecessary theoretical detail must be avoided. Long-term planning needs improvement, possibly through the increasing use of work measurement and time study as instruments of planning. After discussing the extent to which distribution, selling, and administration costs can be regarded as fixed, he pointed out that even so-called fixed costs must be controlled to ensure that budget allocations are adhered to.

Mr Bishop concluded by posing four questions for cost accountants to answer for themselves on the need for new methods and concepts, and reflected that if they could not do much about preventing the increase of fixed costs, they could do a lot to prevent fixed ideas on costing.

Practical Standard Costing

The subject of the paper by Mr K. W. Bevan, A.C.A., on Thursday morning, was the costing procedures employed by British Overseas Airways Corporation, of which he is financial controller. He opened by saying that the early emphasis had been on expenditure control which is now, after some seven years, so built into the machinery of administration that though effective, it is hardly noticed. The system of budgetary control and standard costs developed in B.O.A.C. today is used to enable management to appreciate and improve the economics of every aspect of operations.

The first step had been the organization of separate accounts departments and accountants for each executive department, and the establishment of the principle that each department should be charged only with expenditure within its control. This meant that executive departments were also in a position to prepare their own budgets accurately once the next step had been taken, which was to prepare an operational plan so that they knew what operations they had to budget for. All major items are budgeted in detail because, although it might be possible to prepare very accurate overall forecasts, these would be nearly valueless for control purposes as they would not show why and where variances had occurred. Manpower budgets were critically examined by the personnel department, and by management, before evaluation, a process simplified by the existence of grades and salary scales. Fuel cost budgets are complicated by varying consumption under different conditions and varying cost at different points of uplift, and if departmental accountants are to fulfil their proper functions as members of a management team they need considerable technical as well as accounting knowledge.

Collation of expenditure is by departmental groups, and then follows consolidation into the Corporation's total budget and analysis by aircraft types, station costs, advertising, and other cost groups, and then on various rational bases into route costs. On the revenue side accurate calculation by flights is possible because sales of tickets are held in suspense until travel takes place.

Mr Bevan ended his paper by saying that he thought that the kind of service that accountancy can and must offer was first to say what costs *must be* in relation to earning capacity, secondly how they can be brought down to desired level, and thirdly ensuring that they *are* kept at that level.

Mr K. W. Bevan

Summer School Dinner

The school concluded with a formal dinner held in Hall yesterday (Friday) evening, with the President of the Institute occupying the chair.

The toast of 'The University and City of Cambridge' was proposed by Mr E. Emmerson, A.C.A., F.C.W.A., one of the Vice-Presidents; and Professor E. E. Rich, M.A., Master of St Catharine's College responded on behalf of the University, while Councillor L. D. V. Wordingham, J.P., Mayor of Cambridge, replied for the City.

The toast to 'The Institute of Cost and Works Accountants', was proposed by Mr J. Reed Wilkinson, Managing Director of Ferguson, Pailin Ltd, and the response was made by the President.

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

The autumn session of activities will commence on October 7th with the President's Meeting at Guildhall, when the new chairman of the Board of Inland Revenue, Sir Alexander Johnston, K.B.E., C.B., will speak on 'Looking after the country's money'.

On October 2nd and 4th, members who have been allotted tickets will be attending the business sessions of the Institute's autumn meeting at the Royal Festival Hall.

Residential Courses

Week-end courses in congenial surroundings are proving a popular and important part of the Society's activity. They provide excellent opportunities for discussion and fellowship, and the lectures are particularly appreciated by members who are unable to attend regularly the London meetings.

Arrangements for courses at Cambridge from April 9th to 12th and at Oxford from September 17th to 20th, 1959, are now well under way and the Committee invite suggestions and criticism from members who attended the recent course.

Social

An informal dinner will be held on Thursday, October 16th, at the sign of the *Kings Stores*, Middlesex Street. This should prove an entertaining and convivial occasion and should afford an opportunity for meeting friends in the Society.

The Solicitors Articled Clerks' Society extend an invitation to our members to attend their autumn dance on Wednesday, October 8th, 7.30 to 11.30 p.m. at Porchester Hall, W2. There will be a licensed bar and revue. Dress is informal. Tickets at 6*s* single, 11*s* double, are obtainable from Mr Brian Burrent, Solicitors Articled Clerks' Society, c/o Law Society's Hall, Chancery Lane, London, WC2.

The Christmas Dance will be held at the Royal Festival Hall on December 19th. Double tickets will cost £2 15*s* 0*d*.

Badminton

It has been necessary to change the date and place of the badminton trials. These will now be held at Nine Elms Baths, Battersea, SW11, starting at 10 a.m. on Saturday, October 11th.

EIGHTH NATIONAL TAXATION CONFERENCE

Pleasant and Instructive Week-end at Southport

The eighth national taxation conference organized by our contemporary *Taxation*, was held in Southport from Friday of last week until last Monday. Several hundred people attended, and once again the papers on various aspects of taxation law and practice presented to the business sessions in the Floral Hall were of great practical value and interest to those present. Mr Percy F. Hughes, editor of *Taxation*, presided.

CHAIRMAN'S OPENING ADDRESS

In the course of his opening speech on Friday afternoon, Mr Percy F. Hughes said:

I feel that it is a very great privilege to preside at this, your Eighth National Taxation Conference. It is perhaps fitting that the first occasion on which I should be called upon to preside is a conference held in Lancashire, my home county. I am delighted that so many who have attended previous conferences are here today, and I hope that all will have a pleasant and instructive week-end.

Those of you who were present at the opening of the conference in Torquay last year will remember that Ronald Staples referred to the fact that I had succeeded him as editor of *Taxation* and would be chairman of the next conference. It was, of course, anticipated that he would be able to give me the support and encouragement that I had always received from him in all my activities on behalf of *Taxation* over many years and I know that you share my great sorrow that his death in December last made this an impossibility. . . .

Ronald Staples

It is not my intention to speak to you at great length about Ronald Staples. He would not have wished me to do so, and in any case most of you knew him personally. He seemed to enjoy above all else meeting people who were interested in the subject of taxation, and this to him was the great pleasure to be derived from these conferences. Many of you met him in consultations over the years and benefited from the advice that he gave. He was fortunate in having had experience both in the Revenue and from acting on behalf of the taxpayer. To those, like myself, who were privileged to be associated with him in his several endeavours, he gave tremendous encouragement. He was always enthusiastic about our doings, resulting in our achieving far more than we ever thought possible.

Future Prospects

Ronald Staples did on some occasions when opening our conferences, make some observations as to the future trend of the burden of taxation here, and indeed last year he intimated that some change in the profits tax legislation was overdue. His words were: 'I hope that the Chancellor of the Exchequer will in his next Budget deal with this matter by removing the two-tier profits tax charge in favour of a charge at a single rate. Such a move would be warmly welcomed in industry as a whole.' As you all know, this step was in fact taken by the Chancellor of the Exchequer this year, and I have no doubt that you will hear more about it before the conference is over. I cannot hope to make so accurate prediction for the next Budget, but unless something very unforeseen develops, I think it is fairly safe to anticipate some reduction in personal taxation; industry will look for some small cut in the standard rate of income tax and, I think, for some widening of the basis for capital allowances, so that they may be available in respect of capital expenditure on all commercial buildings.

With the withdrawal of the Cripps' statement of July 22nd, 1948, the activities of the Special Commissioners in applying the provisions of Section 245, Income Tax Act, 1952, have become much more energetic and I anticipate that this will continue. I hope, therefore, that the Chancellor will see fit to amend this legislation by implementing a recommendation of the Royal Commission on the Taxation of Profits and Income. As the law stands at present, if a direction to surtax is made under Section 245, the whole of the income of the company is apportioned among the members of the company in accordance with their respective interests and is charged to surtax as if it formed the highest part of their several incomes. The Royal Commission suggested that in the case of a trading company, a direction should extend only to what is regarded by the Special Commissioners or the Appeal Tribunal as the amount of a 'reasonable distribution'. In many cases settled by negotiation with the Special Commissioners today, the company offers to pay further dividends to bring up the distributions to a figure regarded by the Special Commissioners as 'reasonable'. It is time that this procedure had statutory support in the manner recommended by the Royal Commission.

Tax Evasion

Tax evasion is still with us, and, human nature being the frail thing that it is, evasion will always be with us for so long as our tax rates remain at the level that has existed during the whole of my twenty-one years with *Taxation*. The law has been strengthened from time to time in favour of the Revenue, including the provisions of Section 24 of the Finance Act, 1958, relating to the submission to the Revenue of incorrect accounts. But nothing has so far been done about the setting up of an expert committee to review the penalty provisions of the Income Tax Acts and to suggest measures for removing confusion and overlapping, or for bringing these provisions up to date. The Royal Commission said that although, as maintained by the Board of Inland Revenue, the existing system may work well enough in practice, 'it is not right that penal provisions, which are capable of involving very grave consequences, should remain ambiguous'. I am sure that this is sound and I hope that appropriate action will be taken to have these important provisions brought up to date.

Taxation and Industry

The conference was then accorded a civic welcome by the Mayor of Southport, Councillor Roland Wood, following which the first business session was held.

The speaker at this session was Sir Frederick James, O.B.E., deputy chairman and managing director of Tata Ltd, vice-chairman and treasurer, University College, London, with Mr R. M. Bingham, M.P., in the chair, Sir Frederick spoke on 'Taxation and industry'. After disclaiming all technical knowledge he went on to give a large number of interesting facts about taxation, delivered in an extremely witty and entertaining manner.

One aspect of company law and taxation he found disturbing. Since 1947, profits tax had been confined to companies; apparently it was assumed that when individuals formed an association called a company they immediately acquired a capacity to bear tax quite different from, and additional to, their taxable capacity in other directions.

Sir Frederick emphasized the heavy drain which high taxation made on industry at a time when it needed enormous amounts of capital in order to buy the plant to keep employees occupied. Ever more rapid development also absorbed large sums and was necessary if Great Britain was to maintain its place. On the taxation of individuals he gave some interesting figures illustrating the alarming increase in the burden borne by the middle classes and the consequent deterioration in their standard of living.

Sir Frederick concluded with some pertinent reflections on the interests of the individual and of the State as representing society as a whole. He thought it was possible to reconcile the two, but only with eternal vigilance.

Civic Reception and Dance

On Friday evening the Mayor and Mayoress of Southport, Councillor and Mrs Roland Wood, gave a civic reception and dance in the Floral Hall for members and their ladies.

Brains Trust

Saturday morning was devoted to a 'brains trust' at which members of the panel were required to identify and to comment upon quotations from the Income Tax Acts and decided tax cases. The chairman was Sir William Carrington, F.C.A., and the panel comprised: Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., assistant editor of *Taxation*; Mr James S. Heaton, F.C.A., a member of the Council of the Institute; Mr R. A. Snook, a former senior principal Inspector of Taxes; and Mr H. A. R. J. Wilson, F.C.A., well known as an author and lecturer on accountancy subjects.

Profits Tax

At the first session on Saturday afternoon, Mr K. S. Carmichael, A.C.A., gave an address on 'Points from decided cases on profits tax'. Mr G. F. Saunders, F.C.A., a member of the Council of the Institute, was in the chair.

As a vehicle for his address the speaker assumed that a practising accountant had been asked to advise on the profits tax implications of the reconstruction of a company, the company having recently suffered losses although previously profits had been made. The proposal was to form a new company with not necessarily the same shareholders. Mr Carmichael said that ignoring Section 17 of the Finance Act, 1954, and the provisions about surtax directions, it was still necessary to consider the affairs of the old company for several years back.

The first point was whether or not the new company was to be director-controlled. If not, what was the maximum holding the directors could have? He illustrated the position by reference to *The Glasgow Expanded Metal Co Ltd v. C.I.R.; B. W. Noble Ltd v. C.I.R.* and *C.I.R. v. Monnick Ltd*, and gave the

At the Brains Trust on Saturday morning. *Left to right:* Mr R. A. Snook, Mr H. A. R. J. Wilson, F.C.A., Sir William Carrington, F.C.A., (*chairman*), Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., Mr James S. Heaton, F.C.A.

salient facts of these cases. Mr Carmichael then dealt with the problem of finding new capital and the form in which it should be issued. In relation to trust moneys, where the directors were also trustees, he pointed out the effects of *C.I.R. v. J. Bibby & Sons Ltd.* If a power of attorney was to be held by a director on behalf of an individual shareholder regard was to be had to *C.I.R. v. James Hodgkinson (Salford) Ltd.*

Mr Carmichael gave a detailed account of the powers of the Inland Revenue to make directions under Section 32 of the Finance Act, 1951, mentioning in this connection a number of decisions on the corresponding legislation for the excess profits tax and giving a résumé of the facts. He said that if the commercial benefit was the dominant factor in the transaction, a direction was unlikely.

Recent Legislation

Also on Saturday afternoon Mr Frederick Bidston, F.A.C.C.A., F.C.I.S., a member of the Council of The Association of Certified and Corporate Accountants, gave an address on 'Recent legislation'. The chairman was Mr E. G. Hardman, F.C.I.S., President of the Chartered Institute of Secretaries.

Of the legislation in 1957 concerning overseas trading corporations, Mr Bidston said that the purpose of this legislation was relatively simple but he doubted whether the fifteen sections and five schedules of the Finance Act, 1957, together with the fifteen paragraphs of statutory instrument, resulted in much simplification. However, the changes made were certainly beneficial.

The speaker then turned to the abandonment of the two-tier profits tax structure by the Finance Act, 1958, and he stressed the importance of closely studying the transitional provisions. On the new legislation against dividend-stripping he said that whatever views one might have about this practice, there was no doubt that the legislation against it was rather complicated. On Schedule E expenses, Mr Bidston said that although the Inland Revenue had carried out a long and extensive inquiry the only new relief was confined to professional subscriptions. Moreover, the relief was so framed as to be subject to many qualifications and restrictions.

Church Service

A special service for members and their ladies at Christ Church, Southport, was conducted by the Vicar, The Reverend F. H. Pickering, M.A., on Sunday morning.

Golf Competition

An eighteen hole Stableford golf competition for the *Taxation* challenge cup was held on Sunday over the Hesketh Golf Club Course. The winner was Mr G. H. Cann, M.B.E., F.C.A., of London.

How the Finance Bill is Made

The first speaker on Monday morning was Brigadier J. Enoch Powell, M.B.E., M.A., M.P., a former Financial Secretary of the Treasury, on 'How the Finance Bill is made'. Mr Percy F. Hughes was in the chair.

Mr Powell said every Act of Parliament which granted money must be founded upon a resolution, which consisted of a brief summary of its contents. The resolutions preceding the Finance Bill had an immediate fiscal effect and were circulated and voted upon immediately the Chancellor finished his Budget speech. The actual debate on the Budget was founded on the last resolution, which was in general terms and thus permitted discussion of the whole Budget. While it was open to the House to discuss motions to reduce taxation, any motion which would have the effect of increasing it beyond the extent provided for in the resolutions was out of order.

In order to arrive at the necessary precision in wording of the Budget resolutions it was in practice necessary to draft the Finance Bill in advance. Any error must be on the side of harshness because it was easier to relax than to tighten up the Budget, and, of course, it was useful for the Chancellor to make what appeared to be concessions! In the drafting there was a weaving of three different strands, each with a different time quality. First there was the long-term improvement of the legislation and piecemeal alterations might be drafted many months before they reached a Bill.

The second strand was the control of expenditure; the careful pruning of estimates, having in mind the effect of those estimates on taxation needs. The final strand was the role of the Finance Act as an economic regulator. At any rate that was the theory, but nobody had yet demonstrated that the theory of the Budget as an economic regulator could be worked effectively, or even perceptibly in practice.

Schedule E Assessments and Expenses

With Mr C. Percy Barrowcliff, F.C.A., a member of the Council of the Institute presiding, the last address of the conference was given by Mr J. D. Wells, A.C.A., and dealt with Schedule E assessments and expenses.

Mr Wells said that the three cases of Schedule E introduced in 1956 had tidied up the agglomeration of statute and case law but the subject was still far from simple. As regards Schedule E assessments on the remittance basis, the decision in *Thomson v. Moyse* was of interest although probably it would be nullified by amending legislation if not reversed on appeal. The relaxation of the rules about residence in favour of a person having a house here did not extend to the case where his wife had a house, so the wife might be resident when the husband was non-resident.

The speaker dealt with the wide scope of the word 'emoluments' and the extension given to it by the legislation on benefits in kind provided for directors and for persons earning over £2,000. In view of the judicial definition of emoluments, the exemption granted in respect of luncheon vouchers was an extra-statutory concession and Revenue approval was not normally given where the value of the voucher exceeded 3*s*. Another scheme which was becoming prevalent was the group sickness insurance under which all contributions were paid by the employer but the recipient of the benefits was not taxed on them if he earned less than £2,000. Contributions towards the removal expenses of directors and senior employees were regarded as assessable but enjoyed an extra-statutory concession.

The remainder of Mr Wells' address was devoted to the vexed topic of allowable expenses. He pointed out the antiquity of the expenses rule, going back as it did to 1853, when the rate of tax was merely nominal in comparison with present-day rates. The rule was unsatisfactory and its basic faults were underlined by a series of cases, all of which had been decided against the taxpayer.

Notes and Notices

PERSONAL

Messrs Barron, Bass & Co, Chartered Accountants, of Chansitor House, 37–38 Chancery Lane, London, WC2, announce that, by mutual agreement, Mr A. N. Bass, F.C.A., will cease to be a partner of the firm as from October 1st, 1958, from which date he will commence to practise under the style of Arthur Bass & Co. The two firms will continue to work in close association with each other at the above address.

Messrs Thomas May & Co, Chartered Accountants, of Allen House, Newarke Street, Leicester, announce that Mr R. C. Bishop, A.C.A., who has been a member of the staff for fifteen years, was admitted as a partner on September 23rd, 1958.

Messrs Edward Boyles & Co, Chartered Accountants, announce that they have transferred their City office to Holborn House, 113 High Holborn, London, WC1. Telephone: Chancery 4644.

PROFESSIONAL NOTE

Mr H. W. Sydenham, F.C.A., has been appointed an additional director and chairman of Willowbrook Ltd.

Mr Harold F. Joy, F.C.A., has been appointed a local director of the Provincial Insurance Company.

Mr J. C. Walker, A.C.A., has been appointed chief accountant of Unilever Ltd in succession to Mr P. H. Shirley, who is now chairman of Batchelors Foods Ltd, Sheffield (a Unilever Associated company).

SOME EXPORT RULES EASED

The Commissioners of Customs and Excise have announced that as from October 1st, certain goods exported outside the 'sterling area' of an f.o.b. value up to and including £500, will not require 'pre-entry certificates' unless the goods come within the classes for which an export licence is required or they are being exported on drawback, ex-bond or otherwise under Revenue control.

The relaxation does not affect exportations by post or apply to consignments which form part of a larger shipment exceeding £500 value f.o.b. It does not relieve exporters of their standing obligations under the Exchange Control Act, 1947, as to payment for exports to prescribed countries and surrender of foreign exchange.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Taxation Discussion Group

The first meeting of the Taxation Discussion Group will take place next Wednesday at *The Cheshire Cheese*, 10 Surrey Street, London, WC2, at 6 p.m.

Further meetings will be held on Wednesday, October 29th, and thereafter on the first Wednesday of each month from December to June 1959.

SW. LONDON DISCUSSION GROUP

The 1957–58 session of the group was marked by an increase in membership and a good attendance at all the meetings. Among the subjects discussed were management accounting, the design of accounts, the Finance Act, 1957, surtax directions, retirement benefits and other topics of interest to the profession.

At the annual dinner, the group welcomed among its guests Mr L. C. Hawkins, F.C.A., a member of the Council of the Institute, and Mr J. D. Russell, M.A., F.C.A.

The chairman for 1958–59 is Mr W. D. Menzies, F.C.A., and the treasurer, Mr B. C. Berkinshaw-Smith, B.A., F.C.A. Mr L. J. Ive, A.C.A., will continue as secretary and inquiries concerning membership should be addressed to him at 52–53 Jermyn Street, London, SW1.

The first meeting will be held at *The Kingston Hotel*, Kingston upon Thames on Monday, October 6th, at 6.45 p.m. when the chairman will open a discussion on 'The family tax situation'.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

1958–59 Programme

The 1958–59 programme of the Manchester Society of Chartered Accountants opened on September 22nd, when the President and Committee held a sherry party at the Chartered Accountants' Hall, to welcome new members.

The first lecture meeting will take place next Monday, when Mr G. S. A. Wheatcroft, M.A., a Master of the Supreme Court, will speak on 'The use of settlements to minimize taxation'.

Other meetings during the winter session have been arranged as follows:

October 27th: 'The Chartered Accountants' Retirement Benefits Scheme and the Employees' Superannuation Scheme', by Mr W. H. Clough, F.I.A.

February 16th, 1959: 'What a managing director ought to require from management accounting', by Mr M. A. Fiennes.

The annual dinner will take place at *The Midland Hotel* on November 20th, and it is hoped to arrange a joint meeting with the Association of H.M. Inspectors of Taxes during March 1959.

Students' Saturday Morning Lectures

The Saturday morning lectures arranged by the joint tuition committee of the Society and the Students' Society, announced to take place at Preston Reform Club, are, owing to structural alterations, to be held instead at the Masonic Hall, Saul Street, Preston.

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THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

The autumn lecture courses of the London Students' Society begin next week. Programmes are being posted to members and during the session detailed announcements of the activities during the following week will appear in each issue of *The Accountant.*

Next week's meetings are as follows:

Monday: Visit to Royal Mint (limited numbers).

Tuesday, at 5.30 p.m.: at Incorporated Accountants' Hall: Mechanized Accounting Course; introductory lecture by Mr Dudley W. Hooper, M.A., A.C.A., chief organizing accountant, National Coal Board.

Wednesday, 5 p.m.: at Incorporated Accountants' Hall: Meeting for new members of the Students' Society.

Friday, at 5.15 p.m.: at Incorporated Accountants' Hall: Introductory course lecture on 'How to study', by Mr R. J. Carter, B.COM., F.C.A.

Students are reminded that the library and study room at Spencer House, South Place, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The study room is available in the evening by prior arrangement.

SOUTH WALES AND MONMOUTHSHIRE CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The autumn session of the South Wales and Monmouthshire Chartered Accountant Students' Society opened at the beginning of the month and a comprehensive series of lecture meetings has been arranged. The lectures will take place at the Institute of Engineers, Park Place, Cardiff, with the exception of a 'mock company meeting' on November 14th which will be at the *Park Hotel,* Cardiff.

It is hoped to arrange a visit to an industrial company (probably The Steel Company of Wales) during the winter months and the annual dinner-dance will be held at the Bindles Ballroom, Barry, in December.

The officers of the Society for 1958–59 are as follows:

President: Mr Bernard E. Brown, K.ST.J., F.C.A.
Chairman: Mr M. Phillips, A.C.A.
Hon. Treasurer: Mr Andrew G. Newman.
Hon. Secretary: Mr Savak R. Madon, c/o Messrs Gordon Thomas & Pickard, 2 Church Street, Cardiff.
Sports Secretary: Mr Irving Struel, c/o Messrs W. R. Gresty & Co, Midland Bank Chambers, 97–100 Bute Street, Cardiff.
Hon. Librarian: Mr Brian Isaacs.

BIRMINGHAM CHARTERED ACCOUNTANTS' GOLFING SOCIETY

Autumn Meeting at Moor Hall

A very successful autumn meeting was held by the Birmingham and District Chartered Accountants' Golfing Society at Moor Hall when Mr P. D. Kelley, an articled clerk, won for the second year in succession the Society's Cup for Medal Play. Mr Kelley, who plays off scratch, returned a score of 71 for the course which has a standard scratch score of 73.

The afternoon Greensome Competition was won by Messrs H. R. Hands and W. Parker.

Leading scores were:

MEDAL ROUND	
P. D. Kelley (articled clerk)	71 – Scr. = 71
M. Ireland (,, ,,)	75 – 3 = 72
W. S. Hindle	87 – 13 = 74
G. R. Watson	95 – 18 = 77
M. Brookes	88 – 10 = 78
L. V. Hazlewood	94 – 16 = 78
L. D. Smith	92 – 14 = 78
A. Westwood (articled clerk)	102 – 24 = 78
GREENSOMES	
H. R. Hands & W. Parker	85 – 14 = 71
A. M. Nelson & W. G. Nelson	84 – 12 = 72
K. W. Deacon & G. R. Watson	89 – 16½ = 72½
H. W. Holt & J. J. Potter	88 – 14½ = 73½
D. Radford & E. B. Whitehouse	94 – 19½ = 74½

THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The annual golf competition for the Blackburn Cup was held at Ganton Golf Club on September 12th in perfect weather. Thirty-five members took part, including representatives from the Halifax, Huddersfield and York groups. The competition was played under the Stableford system of scoring and resulted in a tie for first place between Mr C. F. Beer and Mr A. V. Flather with the very good score of 41 points. Mr Beer, who by a happy coincidence is this year's Captain of Ganton Gold Club, was the winner of the Cup by virtue of his better score over the last nine holes.

The competitors welcomed a visit by the President of the Society, Mr Gordon Hunter, who presented the Cup to the winner. The leading scores were as follows:

C. F. Beer (14)	41 points
A. V. Flather (2)	41 ,,
F. H. N. Myers (3)	37 ,,
T. H. Burdon (14)	35 ,,
I. D. Sutherland (24)	35 ,,
W. A. Heap (16)	34 ,,
J. J. Penny (14)	34 ,,
R. C. Calvert (5)	34 ,,
S. Jones (5)	33 ,,
J. D. Alton (9)	32 ,,

ANNOTATED TAX CASES

Edited by ROY BORNEMAN, Q.C.

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The Future of the Profession

THE twenty-third autumn meeting of The Institute of Chartered Accountants in England and Wales now in progress is, like its predecessors, both a scholarly and a social occasion and the efforts of the hosts, The London and District Society of Chartered Accountants, to make it an outstanding success are being well rewarded. Elsewhere in this issue, in our report of the first day's proceedings, we reproduce the opening address by the President of the Institute, MR W. L. BARROWS, LL.D., J.P., F.C.A., and give summaries of the two papers on 'The future role of the accountant in practice' and 'The future role of the accountant in industry', delivered at the afternoon business session by MR H. A. BENSON, C.B.E., F.C.A., and MR W. W. FEA, B.A., A.C.A., respectively. Next week, in our concluding report, we hope to summarize thepaper on 'The progress of tax reform' which today (Saturday) SIR WILLIAM S. CARRINGTON, F.C.A., is submitting at the final business session of the meeting.

As the PRESIDENT points out in his opening address, the themes of the papers presented are definitely directed towards the future and so, for that matter, are the shrewd observations which he has to make in the course of his own commentary on the affairs of the profession in general and the Institute in particular. Dealing with domestic issues, MR BARROWS draws attention to the problems which the Institute has to face as a result of increasing its membership from 20,000 to 31,000 in the course of a few months. By far the most important of these is the maintenance of the quality of its members. With increased numbers, individual standards are likely to show wider variations and it is to the task of ensuring that the overall level of 'character, conduct and competence' is enhanced rather than reduced that everyone with the interests of the profession in mind must unremittingly address themselves.

There are three corporate ways in which this may be achieved. The first is by wise central administration and the record of the Council in that respect is unsurpassed. The second is by strengthening the district and students' societies. The expansion geographically of these bodies, as referred to by MR BARROWS, is an indication that their influence is everywhere appreciated. The third way in which the quality of the members of the Institute may be maintained is economic in character. The PRESIDENT refers to the painful fact that in the post-war years income from fees has not been keeping pace with rising costs. If practitioners are to induce the best of their clerks in sufficient numbers to remain in the profession they must be in a position to offer them terms and prospects at least the equal of those obtainable in commercial and industrial employment. Reticence to raise fees, as a general attitude, is commendable but when it is carried to the point when by not doing so the level of professional competence and service is endangered, it becomes foolhardy.

MR BENSON, although he was brought up in the belief that it is dangerous for professional accountants to make prophecies, nevertheless makes some interesting speculations on the future of auditing. He envisages a departure from the philosophy, still common among both accountants and clients, that the objects of an audit are to verify that no cash has been stolen, that the books balance and are arithmetically correct and that the technical requirements of the Companies Act have been observed. The modern auditor, he maintains, should have three immediate aims – to find out whether the accounts show a true and fair view and are sufficiently informative to enable shareholders and, where appropriate, investors to understand the position; to prevent fraud or misrepresentation with particular regard to fraud by misrepresentation in the annual accounts; and to consider the efficiency of the client's system of internal check. MR BENSON also considers that audit standards in relation to ascertaining that stock and work in progress are properly taken and valued for the purposes of the annual accounts, should be improved. He recommends that the auditor should occasionally attend physical stocktakings with the objects of seeing that the stock does in fact exist; that slow-moving, obsolete and redundant stocks are properly dealt with and that an adequate system of internal control is in operation.

It may be that MR BENSON'S views on the casual attitude which some auditors take towards verifying this particular asset are somewhat pessimistic. The *Kingston* umbrella has long ceased to provide any real shelter and, in these times of high taxation and inflated replacement costs, the necessity for accurate stock and work in progress figures is almost universally recognized. Nevertheless, the ascertainment of such values is so complicated and, in some instances, so controversial that MR BENSON'S warning will be noted even by those auditors who already pride themselves in the thoroughness of their investigations 'behind the stock sheets'.

In the professional practice of the future, as imagined by MR BENSON, only about half the gross fees would be derived from audits. Taxation work would still be important and ancillary with revenues from organization and special investigation assignments becoming ever more prominent. The economics of succession would be so geared as to allow senior partners (if they wished) to retire around sixty-five on a reasonable pension.

MR FEA'S approach to the future is also guarded because the careers of accountants in industry, to judge by the varied designations of those engaged in it, are diverse in the extreme. All, however, must possess certain common qualities and MR FEA enumerates and comments on those with rare perception. Integrity, as manifested by independence of thought, objectivity and impartiality, and accuracy and reliability, is the first; being a good accountant by having an aptitude for handling figures, in possessing an analytical faculty and by having a sound knowledge of accounting theory, principles and conventions, is the second; and the third is being a good mixer and a sound interpreter of information and ideas. How many accountants, whatever their status, can truthfully say after a searching self-analysis that they have an ample sufficiency of all these attributes?

Of the future of industry, as distinct from the future of the accountant in industry, MR FEA is only a little more forthcoming in his forecasts. Technically, the resources actual and potential of this country are immense but there are political and economic considerations which may retard their normal development. It is the duty of the accountant in industry to be constantly aware of these extraneous influences and to minimize or discount their impact, assuming that it is adverse as it generally is, on the organization with which he is associated. How best this sense can be stimulated and encouraged by specific training at the articled clerk stage forms the final and perhaps the most provocative part of MR FEA'S paper. Both he and MR BENSON have given the profession much material for hard thinking but, unlike the old lady who said that the only good thing about the future was that it came only one day at a time, they both hold out a moderately bright prospect for accountants in the years ahead.

British Industry Today

BRITISH industry has come a long way since the hungry thirties. The war stimulated technical development, at the same time bringing about vast social changes, and both these trends have been continued in the post-war period. Nevertheless, many of the things which grew or developed in the pre-war depression are still with us, particularly habits of mind, many of which have lost their *raison d'être* in the new climate. In the immediate post-war period grievous mistakes were made for which we are paying now. The rapid changes which are taking place in many industries are difficult to keep pace with, even by persons employed in the industries concerned. All thoughtful people interested in the present state, and the possible future trends, of British industry will therefore welcome a new symposium[1] on industries making up some 40 per cent of the total. The symposium, edited by DUNCAN BURN, a former lecturer in economic history at Cambridge, is the outcome of a suggestion that with the assistance of conditional aid, a survey of British industry should be made on the lines of the symposium of case studies on American industry edited by PROFESSOR WALTER ADAMS[2]. The National Institute of Economic and Social Research undertook the responsibility of looking after the venture.

Having been written for the intelligent layman, as well as for the professional economist, the new book avoids technical jargon and applied mathematics. It is to a large extent very well written, with an admirable economy of language, although there is here and there a labouring of the obvious which seems to be the besetting sin of books on economics. The declared object was to give an up-to-date picture of the structure of the group of industries chosen; the number, size, scope, and interrelations of the firms or units within each industry, and their relation with industries overseas, and with the Government. It was also sought to examine the effect of the structure of each industry on its economic performance, its adaptability to markets and to technical change, its contribution to that change, and so on.

Steel, coal, and inland transport are among the industries dealt with, each by different authors, and excellent objective accounts of the development of these highly-controversial industries are given. Another industry dealt with is the pharmaceutical industry, in the unprecedented situation created by the National Health Service, with the complete abolition of the criterion of ability to pay as regards most home sales. Agricultural production and marketing, like aircraft production, have close ties with the Government, the one as a recipient of generous subsidies, the other as dependent on Government orders for military aircraft. Outside the basic industries, preference has been given, naturally enough, to the newer and growing industries: electronics, man-made fibres, chemicals. In particular, the brief study of the man-made fibres industry, an industry with entirely new materials and entirely new techniques, is particularly illuminating, describing in layman's language the various new fibres and recounting the history of their respective developments.

As the final chapter there is a masterly summing up by the editor which, in the final section, returns to the question of the impact of the State, as owner, supervisor, buyer, subsidizer, on the uses of resources – according to the standards and criteria set up by the economists. On the problems of finance he refers to the remarks of the author of the chapter on the cutlery trade, who points out that the heavy taxation of retained earnings has created a problem which has been masked by war damage payments, excess profits tax refunds, the exceptional profits of early post-war years, and latterly investment allowances. In addition, the need to meet heavy estate duty must place a severe strain on the firms affected. Mr BURN points out that the difficulty for the small firm of obtaining capital without surrendering control puts it at a disadvantage *vis-à-vis* the large firm which can make a public issue. Taxation is, of course, only one facet of the picture, but it is an important one which is in the power of the Government to control for good or ill.

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[1] *The Structure of British Industry*, Cambridge University Press, volume 1, 45*s* net; volume 2, 50*s* net.

[2] *The Structure of American Industry*, revised edition. (New York, Macmillan, 1954.)

Parsonage Houses and Manses – I

TAXATION RELIEFS AND ALLOWANCES

by FÉLICE V. SLADE, A.C.A.

CLERGYMEN'S and ministers' houses have from time to time been the subject of special legislation for both income tax and rating and the problems they present are different from those arising from other properties.

Under Section 479 (1) (*b*), Income Tax Act, 1952, a clergyman or minister of any denomination may claim as a deduction from any assessment on his remuneration

> 'such part of the rent (not exceeding one-quarter) as the Commissioners by whom the assessment is made may allow, paid by him in respect of a dwelling-house any part of which is used mainly or substantially for the purposes of his duty'.

In practice, relief is also given on the same proportion of the cost of lighting, heating and cleaning.

Where the clergyman or minister 'is in the occupation of a dwelling-house but pays no rent therefor', he is deemed for this purpose to pay a rent equal to 'the annual value of the dwelling-house as assessed to tax under Schedule A'. The Inland Revenue have stated that it is their practice to interpret the words 'annual value . . . as assessed to tax under Schedule A' as meaning the gross, and not the net, annual value.

It will be noted that if a fraction of the *annual value* is to be allowed as a deduction, no rent being payable, the clergyman must be 'in the occupation of' the house. The question whether a particular minister is, or is not, legally the occupier of his house, i.e. the beneficial as opposed to the representative occupier, depends primarily upon the rules on this matter existing in the church to which he belongs.

Church of England and Other Denominations

Although there has been no tax case on the question whether a Church of England clergyman who is the incumbent of a parish is technically 'in the occupation of' the vicarage or rectory, there does not seem to be any doubt that he always is.

As the Churches Main Committee stated in a memorandum to the Royal Commission on the Taxation of Profits and Income:

> 'In the Church of England the freehold of the house of residence of the incumbent of the parish (the parsonage house) is legally vested in the incumbent for the time being. During a vacancy in the incumbency the freehold is said to be in abeyance. Thus, as the law stands, the Schedule A tax in respect of the house is paid by the incumbent, who is both occupier and freeholder. . . . The position of the parsonage house in these respects appears to be unique, deriving from the fact that an incumbent is a corporation sole and the property of the benefice is the freehold of the corporation.'

The net annual value of the house therefore forms part of the incumbent's total income and in accordance with Section 525 (1) (*b*), Income Tax Act, 1952, it is treated as earned income. An allowance of up to one-quarter of the gross annual value is also allowed under Section 479 (1) (*b*).

However, the position has not always been so straightforward with regard to ministers of other denominations and in particular there has been a series of tax cases relating to the manses of ministers of the Church of Scotland. To add to the complications, the Courts have held that one of the earlier cases was wrongly decided while another was correctly decided but for the wrong reason.

These cases were primarily concerned with whether the minister should be assessed under Schedule E on the amount of the Schedule A liability paid by his 'employers' or should include that tax as part of his total income. It is proposed to consider a few of these cases separately and it will be seen that in some of them the Church had been assessed under Schedule A as occupier, while in others the minister had been assessed under Schedule A but the tax had been paid by the Church. In only one case (*Corke v. Fry* (3 T.C. 335)) was the tax under Schedule A paid by the minister himself. It seems clear, however, that where a minister is treated as not being in the beneficial occupation of his house, so that he is not liable under Schedule E in respect of it, he should not be treated as the occupier for purposes of Schedule A. This principle was stated by Lord Wright, M.R., in the case of *Reed v. Cattermole* (16 A.T.C. 35; 21 T.C. 35), in which a Methodist minister was held to be in representative as opposed to beneficial occupation of his manse:

> 'The essence of the matter, I think, is that the enjoyment which the minister has of this house, the enjoyment in the sense that he uses it as a dwelling-house and therefore in the sense that it is a benefit to him, is subsidiary and ancillary. He dwells in the house, not for his own convenience . . . but in fact he lives there . . . under the compulsory requirement of the church, as it is said, whether it is suitable for him or not, in order that he may perform his duties. Under those circumstances the authorities as well as the principles which have been laid down to my mind involve the view that he is not the occupier for revenue purposes.'

Free Church of Scotland

The case which was later held to have been wrongly decided was *McDougall v. Sutherland* (3 T.C. 261), heard in 1894. The Reverend Sutherland was a minister of the Free Church of Scotland and the manse was vested in trustees for behoof of the congregation. The house was held in trust for the benefit of the minister for the time being who was, therefore, not a tenant but a beneficiary under the trust. The manse was provided for him to enable him to discharge the duties of his office and he could not have let the house to a yearly tenant without committing a breach of contract. The minister claimed that the annual value should not be taken into account in calculating his total income.

The judge, summing up, said:

> 'It is no doubt true that the use of the manse is part of the consideration which the minister receives under his contract with the congregation or their ecclesiastical superiors, but if I rightly follow the decision in *Tennant's* case[1] it is not "income". . . . I do not of course mean to imply that the manse is to escape taxation under Schedule A. How it is to be assessed is a question not before us.'

The case was decided on the question of convertibility into money, i.e. whether the taxpayer had the right to let the dwelling, but in 1930 the House of Lords, in *C.I.R. v. Miller* (9 A.T.C. 73; 15 T.C. 25), showed that this was not the true basis of the decision in *Tennant v. Smith* and that *McDougall v. Sutherland* was wrongly decided. The House of Lords made it clear that the true basis of the *Tennant* decision was that the bank was the occupier regardless of the fact that the manager had no power to sublet.

Established Church of Scotland

Another case heard across the border in 1895, already mentioned in passing, was *Corke v. Fry* (3 T.C. 335) which concerned a minister of the Established Church of Scotland and differed from *McDougall v. Sutherland* in that the freehold of the manse vested in the minister who could let the house. Again the Court of Session decided on the question whether the taxpayer had the right to let the dwelling but this time it was held that the annual value did form part of the minister's income. This decision was also criticized in *C.I.R. v. Miller* when the House of Lords indicated that the case had been rightly decided but for the wrong reason. More recently still (in *Reed v. Cattermole, supra*) the Court of Appeal indicated that in both *McDougall v. Sutherland* and *Corke v. Fry*, the minister was in beneficial employment and that the annual value therefore formed part of his income.

Methodist Minister

The only English case in question appears to be that of the Methodist minister just mentioned, i.e. *Reed v. Cattermole*, which came before the Courts in 1937.

The general control of the Methodist Church is vested in the annual Methodist Conference which includes elected representatives of districts which are divided into circuits. Each circuit consists of any number of churches and acts through a representative committee called the quarterly meeting. The circuit acting through its quarterly meeting provides the minister's stipend and a manse for him. It is a strict requirement that the appointed minister shall reside in the manse and that he shall not sublet it.

In this particular case, the circuit had borne the cost of furnishing and repairing the manse and had paid the Schedule A liability and the rates. The question was whether the amount of these payments formed part of the minister's income.

The Master of the Rolls emphasized that the decision in both the Scottish Free Church manse case (*McDougall v. Sutherland*) and the Established Church manse case (*Corke v. Fry*) had been criticized by the House of Lords and he quoted Viscount Dunedin in *Miller's* case as saying:

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[1] *Tennant v. Smith* (3 T.C. 158).

> 'I am therefore of opinion that the distinction taken between what might be let and what might not be let is not a relevant distinction.'

It was held that there was no evidence upon which the Commissioners could properly find that the minister had the beneficial occupation of the house, that his was a representative occupation, and that the sum representing the Schedule A liability and rates should therefore be excluded from the Schedule E assessment.

Test Case

A still more recent decision is that which arose from the test case *C.I.R. v. Leckie* (19 A.T.C. 109; 23 T.C. 471), heard in 1940. It concerned a minister of the Church of Scotland. The manse, with the church and hall, was vested in trustees for the congregation under a trust deed which provided that the property should be used for the purposes of the congregation. The minister was required to live in the manse but the congregation paid the Schedule A liability and was responsible for all repairs. Following the case of *Reed v. Cattermole*, the Court of Session decided that the church authorities were in beneficial occupation and the minister's occupation was representative only. Accordingly, the minister was not liable under Schedule E in respect of the residence but on the other hand he was not entitled to claim the allowance of one-quarter of the annual value under what is now Section 479 (1) (*b*), Income Tax Act, 1952.

The present position may therefore be summarized as follows:

(1) Clergymen of the Church of England are occupiers of their vicarages or rectories.

(2) Ministers of the Church of Scotland are not occupiers of their manses.

(3) Ministers of the Methodist Church are not occupiers of their manses.

The report of the Royal Commission on the Taxation of Profits and Income contains the following remarks on the difference in treatment of parsonage houses of the Church of England and manses of other denominations:

> 'Had the (parsonage) house been vested in trustees in such a way that the parson was obliged to live in it, the tax position of the Church of England incumbent would have been assimilated to that of ministers of other denominations. . . . Although the tax treatment of the Church of England parsonage house is, in view of the unique position of the incumbent, legally correct, it is impossible to justify in principle the difference in treatment between the Church of England incumbent and the ministers or clergy of other denominations. . . . In the circumstances we have reached the following conclusions: (1) No system should be instituted for taxing a representative occupier in respect of any element of benefit in his occupation; (2) The annual value of a Church of England parsonage house should cease to be attributed to the incumbent as income, but this change should not exempt him from liability to tax on any income that he may derive from letting the property or any part of it.'

Changes Effected by the Finance Act, 1958

The Finance Act, 1958, affects the dwelling-houses of certain ministers of religion in two respects. Section 17 (1) (*b*) removes a restriction imposed by Section 448 (2), Income Tax Act, 1952, which stated that the exemption from tax under Schedules A and B on lands, hereditaments, etc., owned and occupied by a charity should not apply to any part of the property which was 'in the use and enjoyment of a person whose total income amounts to one hundred and fifty pounds or more'. There is now no such income limit.

Clearly the Church of England parsonage house is not affected by the removal of the restriction. The Church of England clergyman is the owner of his house for all tax purposes and no charity is involved.

The position of the Church of Scotland before the passing of this year's Finance Act is described in the minutes of evidence before the Royal Commission on the Taxation of Profits and Income as follows:

> 'The position in Scotland is that a minister occupies his manse in a representative capacity. . . . The result of this qualification is that . . . owing to the minister's income being more than £150, the Church becomes liable for payment of the Schedule A tax. It is in fact the only instance where a charity does not obtain relief in respect of its property. . . . The curious feature about this £150 qualification is that the controlling factor is not the wage or salary paid by the charity to the person in question, but his total income from all sources.'

The Church of Scotland therefore stands to gain by the new legislation.

The Methodist Church, however, is differently organized from other churches and even before the new Finance Act came into force, no tax under Schedule A was payable on most of its manses owing to the special organization within that church already described. The manses are held in trust and the circuit stewards pay rent to the trustees within the terms of the Methodist 'model deed'. The trustees are therefore in the legal position of landlords while the circuit stewards are the tenants and legal occupiers. The trustees devote the surplus income from the property year by year to a church purpose, which may be, and generally is, the circuit fund. They are thus entitled to claim exemption from tax under Schedule A on the ground that there is an income from the property by way of rent and that this income is devoted by them to a charitable purpose. In these circumstances, the amount of the minister's income was immaterial even before the passing of the 1958 Finance Act, since the situation could not be described as that of a charity occupying its own property in the person of its minister.

Section 17 (2) of this year's Finance Act repeals one of the more recondite subsections of the Income Tax Act, 1952, namely, Section 479 (3). It will be recalled that in consequence of the decision in *McDougall v. Sutherland*, which was not overruled until 1930, a minister who was not required to include the annual value of his house in his statement of total income for tax purposes could not claim to have the annual value treated as earned income and in such cases the full amount of the assessment was chargeable at the standard rate. Section 22, Finance Act, 1919, afterwards Section 479 (3), Income Tax Act, 1952, entitled a minister in these circumstances to claim that the annual value of the house should be treated as his earned income when it was to his advantage to do so.

In cases where an election under Section 479 (3) was made it was nevertheless usual, apparently, for the minister to obtain reimbursement of the Schedule A liability from the Church and this was not treated as a taxable benefit in his hands. The application of this subsection was always at the option of the taxpayer because in certain circumstances it would not have been advantageous to him. For example, if a minister were a surtax payer, the surtax which he would have had to pay on the annual value of the property might have exceeded the earned income relief.

Criticism

The Royal Commission on the Taxation had this to say regarding Section 479 (3):

> 'This puzzling provision can be criticized as highly anomalous. The clergyman or minister postulated is not liable for any part of the Schedule A tax and there seems to be no reason why he should obtain earned income relief on "income" on which he does not bear tax. It may well be that those who framed the original provision acted upon a mistaken supposition of the law applicable to a case of this sort. We understand that in practice the Inland Revenue endeavours to give some effect to Section 479 (3) by allowing the earned income relief, not to the representative occupier, but to the trustees by whom the tax on the annual value is paid. . . . In the light of our recommendation . . . above[1] this practice should be abandoned and Section 479 (3) repealed.'

This same 'puzzling provision' had previously been strongly criticized by the Joint Select Committee which reported upon the Consolidation Bill in 1952. The minutes of evidence contain the chairman's reference to the 'most astonishing position' which was described as 'indefensible' and 'quite wrong'. He added:

> 'I think it is plain that 1919 was not a year in which careful consideration of matters such as this was quite at a premium. I think people were still under the influence of the events of the four years before that, and I think it was a wholly misconceived effort to get over what was thought to be the effect of a decision of the Court of Sessions,[2] which was overruled ten years later in the House of Lords. I do not think it said what it meant, and I do not think the basis on which the relief was granted was clearly thought out, and when it was passed I am unable to perceive quite why what was done was done. . . . For consolidation purposes, I think, one must reproduce it as it stands to mean whatever it does mean.'

It would appear that after the removal of the £150 income restriction by Section 17 (1) (*b*), Finance Act, 1958, no advantage could be obtained by anyone under Section 479 (3), as the manses in question would have become exempt from tax under Schedule A. However, Section 479 (3) has now been removed from the statute book. Incidentally, Section 525 (2) (*e*) still stands; this is the subsection which specifically includes in the definition of earned income the annual value of a minister's dwelling-house where an election under Section 479 (3) has been made.

(*To be concluded.*)

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[1] i.e., that 'no system should be instituted for taxing a representative occupier in respect of any element of benefit in his occupation.'

[2] *McDougall v. Sutherland*, (*supra*).

THE PROFESSIONS AND THE EX-REGULAR

by AIR CHIEF MARSHAL SIR RONALD IVELAW-CHAPMAN, G.C.B., K.B.E., D.F.C., A.F.C.
Director of Resettlement (Ministry of Labour and National Service)

I AM grateful to the editor for this opportunity of giving some account of our resettlement work and its connection with the professions.

The Regular Forces Resettlement Service provides a national scheme for the resettlement of regulars – officers and other ranks – retiring prematurely or normally from the Services. Because the officer presents, relatively, the greater resettlement problem and is more likely to be drawn to the professions, my remarks will be confined to him.

The nature of the problem will be appreciated when it is stated that each year until 1962, some 1,500 regular officers are to retire prematurely, in addition to normal retirements which average 4,000 annually. Most will be seeking civilian employment.

Measures Taken

The Resettlement Service co-ordinates the various advisory and placing services of the Ministry of Labour and certain voluntary organizations, notably the Officers' Association. Nationally, the Ministry is advised by the Resettlement Advisory Board consisting of Sir Frederic Hooper, managing director of Schweppes Ltd, as chairman, Major-General C. A. L. Dunphie, C.B., C.B.E., D.S.O., chairman and managing director of Vickers Armstrongs Ltd, Mr W. D. Goss, O.B.E., former national secretary of the Transport and General Workers' Union, Mr W. H. McFadzean, C.A., chairman and managing director of British Insulated Callenders Cables Ltd, deputy president of the Federation of British Industries, and Mr J. McLean, C.B.E., chairman of George Wills & Sons Ltd, past president of the Association of British Chambers of Commerce.

The work of interviewing, advising and submitting officers to employment is undertaken by the Officers' Association in London, Glasgow and Belfast and at forty-eight special local offices of the Ministry of Labour situated in the principal towns throughout Britain. Resettlement committees usually with a leading local industrialist as chairman, are functioning in Scotland, Wales and the Ministry's regions in England – at Edinburgh, Cardiff, London, Reading, Cambridge, Bristol, Birmingham, Nottingham, Manchester, Leeds and Newcastle upon Tyne. These committees aim to stimulate local interest and develop employment opportunities for ex-regulars in their areas. They provide means of obtaining expert advice on individual resettlement problems where this cannot be satisfactorily provided otherwise.

The Professions

At least 50 per cent of officers retiring hope to enter industry and commerce or one of the professions associated with them; others are interested in teaching, the Civil Service and similar careers, while some wish to emigrate. Part of my task is to explore the prospects for ex-regulars in the various professions.

At this stage I would like to describe the sort of officer coming out. He is likely to be of major/lieutenant-colonel (or equivalent) rank, aged between 35 and 45, healthy, well-educated, intelligent, mature, loyal and, above all, accustomed to responsibility. A few only will have technical qualifications of professional or industrial value, but there will be good potential material in all. In outlook, he is reasonably modest and seriously minded.

The officer hoping to qualify in a profession is going to take the matter realistically. He knows he will be studying alongside normal entrants much younger than himself and probably less burdened with home commitments, that the lengthy period of training will mean sustained concentration, hard and sometimes dull work – not to mention sacrifice of leisure time and money. Nevertheless I am pretty confident that his character, personal qualities and his realization of the value of a professional qualification as a security for the future will see him through.

My discussions with professional bodies have centred on three questions. First, is the profession over- or under-populated? Secondly, are any special arrangements possible for ex-regulars? Finally, in order to provide those interested with sound preliminary advice, I seek the organization's help in writing a short explanatory article, for publication within the Services, describing the methods of qualifying, educational standards required, and the scope for entrants over 35.

Special Arrangements

Professions vary considerably in their provision for ex-regulars. For instance, both of the organizations for professional secretaryship allow certain types of Service administrative experience to count towards the period of qualifying service, which is the prerequisite for admission to membership. In addition, they grant exemptions in one or two Intermediate subjects where certain promotion and staff college examinations have been passed in the subjects equivalent to those of the professional syllabus.

One association in a kindred profession has recently agreed to reduce the period of qualifying employment by two years where individual officers are considered suitable. Others feel they cannot go beyond advice and information, taking the view that the late entrant will need the full training time under articles to acquire adequate academic knowledge and practical experience, and that it would not help to reduce the period.

Professional men and women can help individually in this national problem. Their influential place in the business community may well offer the opportunity to counter any remaining prejudice in the business world that the ex-regular is too inflexibly minded, or too lacking in initiative and drive to make a success of a business career. That this is not the case is clear from the increasing number of vacancies likely to suit ex-regulars that are daily being notified by employers – many of whom are so impressed that they are constantly coming back after a short interval 'for more'.

Should you hear of openings – particularly where officers over forty may be considered – all you need do is to let the local Employment Exchange know. One last, and more personal, way of helping – should you come across an ex-regular studying for your profession, I hope you may be able to offer him a word of good advice and encouragement; he is sure to welcome it at what will be, for him, a difficult time.

Shortcomings of the Companies Act, 1948–III

by C. ROMER-LEE, M.A., F.C.A.

Duty of Directors to give the Company certain Information (Section 198)

THIS section relates to the giving of certain information to a company by its directors and officers as required by Sections 195, 196 and 197 of the Act.

84. Section 195 states that 'every company shall keep a register showing as respects each director of the company (not being its holding company), the number, description and amount of any shares in or debentures of the company or any other body corporate, being the company's subsidiary or holding company, or a subsidiary of the company's holding company, which are held by or in trust for him or of which he has any right to become the holder (whether on payment or not)'. Under Section 198 (2) any notice required for the purposes of Section 195 has to be given to the company in writing. It appears, however, that information required by Sections 196 and 197 (relating to directors' emoluments and loans to officers respectively) need not be given to the company in writing. The auditor is more interested in the particulars which have to be shown separately in accounts under Sections 196 and 197 than he is in Section 195 and it would seem desirable that the information to be disclosed under all three sections should be required to be given to the company in writing.

Compulsory Acquisition of Minority Shareholdings when less than 10 per cent Dissent from a Scheme (Section 209)

85. The purpose of this section is to enable a company, which has made an offer for the whole of a class of shares in another company, to acquire the holdings of non-assenting shareholders provided these do not together hold more than 10 per cent of the nominal value of the class of shares covered by the offer. The section contains a phrase which means that the minority of 10 per cent must be measured by reference to those shares not held at the date of the offer by, or by a nominee for, the company making the offer or its subsidiary. Therefore, if, as may happen frequently, a holding company wishes to acquire the outstanding minority interest of a subsidiary, it becomes necessary for another company in the group (which holds no shares in the subsidiary concerned) to make an offer for the whole of the shares in question. The offer is then accepted by the holding company in respect of the shares which it holds; if

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The third and concluding part of an address delivered at the summer course of The Institute of Chartered Accountants in England and Wales, at Oxford, on September 5th.

the total acceptances to the offer exceed 90 per cent of the total nominal value of the class of shares covered by the offer, then the provisions of Section 209 can be brought to bear in order to acquire the minority.

86. This method is certainly clumsy when a holding company seeks to acquire the minority shareholdings of a subsidiary. In view of the protection already given to a minority in Section 209 by having recourse to the court it seems that the section could be amended so that assent to the offer is deemed to have been given in respect of shares held at the time the offer is made by the company making the offer.

Limitation on Numbers in a Partnership (Sections 429 and 434 (1))

87. The limitation on the number of partners in a firm to ten for a banking business and to twenty for all other forms of business is a restriction out of accord with modern circumstances and could well be somewhat relaxed. These numbers were fixed by 'An Act for the Incorporation, Regulation and Winding-Up of Trading Companies and other Associations', passed in 1862 when businesses were smaller than they are now. Although the official records of the Parliamentary debates on this Act do not contain any reasons for these restrictions, the objects probably included:

> The preservation of that aspect of friendship and mutual confidence which is presumed in a contract of partnership and which it was thought could not exist when partners were personally unknown to each other;
>
> The protection of persons from giving credit to a business which was potentially unco-ordinated and therefore might be financially unsound;
>
> The maintenance of that personal relationship between practitioner and client which is inseparable from professional work.

88. Whilst I do not deny that these motives are important I do not believe that any of them are necessarily preserved by limiting the number of partners in a firm to twenty. As it is generally accepted as desirable that the principle of unlimited liability should apply to professional practitioners, then I feel that it is not in line with modern developments to limit to twenty the number of professional men who can combine together to form a partnership. I feel that the limit should be relaxed, possibly by increasing the permitted number to fifty. It is a matter of interest that there is no limit to the number of partners which a firm may have in the United States of America and as far as I am aware its absence does not operate to anyone's disadvantage. There may therefore be good grounds for removing the limit entirely.

Corresponding Figures (Eighth Schedule, paragraphs 11 (11) and 14 (5))

89. It is worth noting that the word 'corresponding' appears in each of the following paragraphs of the Eighth Schedule which require accounts to show 'the corresponding amounts at the end of the immediately preceding financial year for all items shown in the balance sheet' (11 (11)), and 'the corresponding amounts for the immediately preceding financial year for all items shown in the profit and loss account' (14 (5)). More often than not one hears the words 'comparative figures' used when referring to the corresponding figures for the previous financial period – a practice which may be more a shortcoming of everyday speech rather than a shortcoming of the Companies Act.

90. However, when the form of an account is altered it is necessary in order to supply the 'corresponding' figures, that the figures for the previous period should be altered so as to afford a true basis of comparison with the revised presentation of the new accounts. Indeed if this were not done, particularly where the basis of accounting had been altered, the 'comparative' figures might well be misleading. Although there is nothing in the Act which requires one to do so, it is not unusual in such cases to find a note attached to the accounts to the effect that the figures for the previous period have been revised so as to conform with the new way in which the accounts are presented.

Charge for United Kingdom Taxation (Eighth Schedule, paragraph 12 (1) (c))

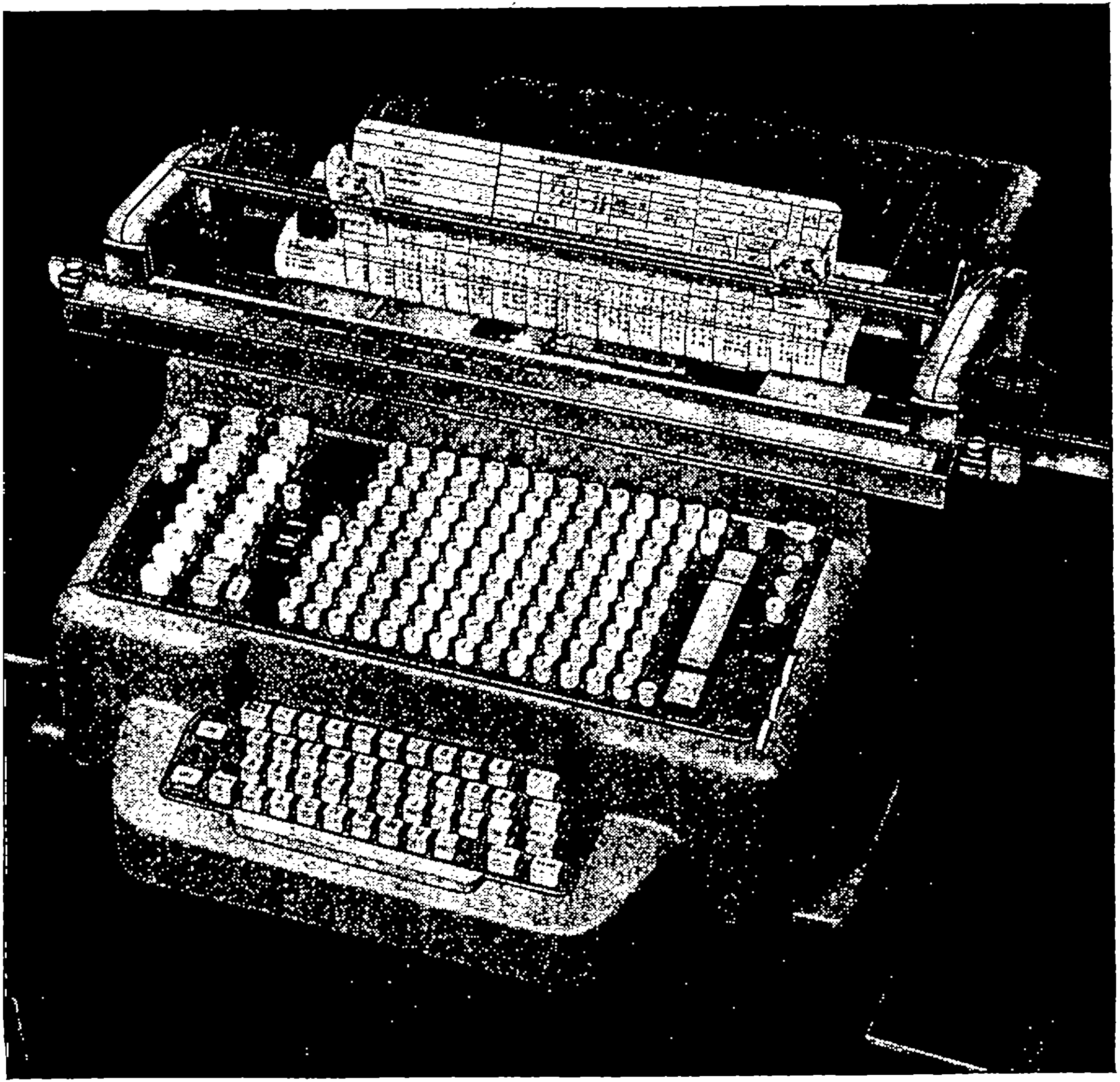
91. The wording of this paragraph is as follows:

> '12 (1) There shall be shown (in the profit and loss account);
>
> (*c*) the amount of the charge for United Kingdom income tax and other United Kingdom taxation on profits, including, where practicable, as United Kingdom income tax any taxation imposed elsewhere to the extent of the relief, if any, from United Kingdom income tax and distinguishing where practicable between income tax and other taxation.'

92. Since 1948 reciprocal taxation agreements have been signed between the United Kingdom and many foreign countries. The broad effect of these agreements is that where profits are assessable in two countries tax is charged on such profits at the higher of the two applicable rates, the tax itself being paid (where the United Kingdom rates are higher) partly in the foreign country and partly in the United Kingdom.

93. Conflicting opinions are held as to the correct method of showing the tax charge in the profit and loss account. One school of thought holds that it is necessary only to show the amount of tax payable as computed for United Kingdom purposes, that it is unnecessary to indicate in which country such tax is payable (i.e. whether in the United Kingdom or overseas) and that therefore the following description is sufficient:

Taxation on profits of the year:	£	
Profits tax	3,000	
Income tax	10,000	
		£13,000



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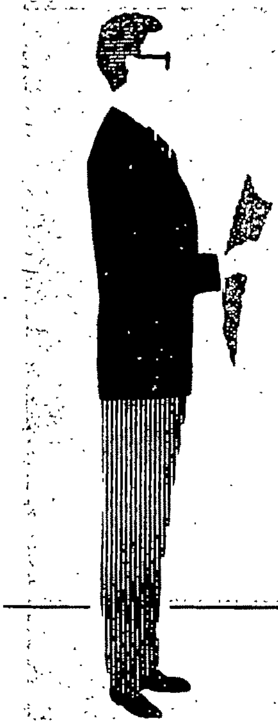

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94. The other school maintains that this method is ambiguous as it fails to disclose whether any taxation imposed abroad has been used to relieve United Kingdom taxation. Those who hold this view maintain that it is essential to disclose the total taxes payable overseas and the extent to which these have been applied in relief of United Kingdom taxation.

95. Thus if in the above example there was unrelieved foreign taxation of £2,000, it is contended that the charge should be described as follows:

Taxation on the profits of the year:	£	
United Kingdom taxation		
Profits tax	3,000	
Income tax	10,000	
	13,000	
Deduct:		
Double tax relief	13,000	
	—	
Overseas tax	15,000	
		£15,000

In the first method of presentation the unrelieved foreign tax of £2,000 is not disclosed (presumably it is charged before arriving at the 'Trading profit') and it can be argued that the total of the taxes payable on the profits of the year is not shown. The second method is considered by those who advocate it to be unambiguous and clear and to give all the information anyone could possibly want.

96. To complete the illustration, if the overseas taxation was less than the tax payable in the United Kingdom, the charge would be shown in this way:

Taxation on the profits of the year:	£	
United Kingdom taxation		
Profits tax	3,000	
Income tax	10,000	
	13,000	
Deduct:		
Double tax relief	12,000	
	1,000	
Overseas tax	12,000	
		£13,000

Again, this is perfectly clear and free from ambiguity.

97. The reason for the diversity of opinion seems to come from the wording of the Act which requires taxation imposed abroad to be treated as United Kingdom taxation to the extent to which it is applied in relief of United Kingdom taxation. This is a somewhat illogical requirement and perhaps the Act could be amended so as to make clear which of the alternative methods of presentation should be followed.

98. If there are material profits of overseas subsidiaries, the dividends from which are assessed under Case V so that United Kingdom tax only arises on dividends received, none of the above illustrations may be suitable and the narrative describing the basis of the tax charge in the consolidated profit and loss account may require careful consideration. Indeed in such a case it may well be misleading to describe the total of United Kingdom taxation as 'taxation on the profits of the year'. Furthermore the description of any overseas tax paid must be considered, for it may be inappropriate to group it with the United Kingdom tax.

Requirements where no Group Accounts are Submitted (Eighth Schedule, paragraph 15 (4))

99. The particular words which cause difficulty are those appearing in sub-paragraphs (*b*) and (*c*) of paragraph 15 (4) which read as follows:

> '15 (4) Where group accounts are not submitted, there shall be annexed to the balance sheet a statement showing:
>
> (*b*) the net aggregate amount, so far as it concerns members of the holding company and is not dealt with in the company's accounts, of the subsidiaries' profits after deducting the subsidiaries' losses (or vice versa):
>
> (i) for the respective financial years of the subsidiaries ending with or during the financial year of the company; and
>
> (ii) for their previous financial years since they respectively became the holding company's subsidiary;
>
> (*c*) the net aggregate amount of the subsidiaries' profits after deducting the subsidiaries' losses (or vice versa):
>
> (i) for the respective financial years of the subsidiaries ending with or during the financial year of the company; and
>
> (ii) for their other financial years since they respectively became the holding company's subsidiary;
>
> so far as those profits are dealt with, or provision is made for those losses, in the company's accounts.'

This is referred to in paragraph 22 of the Institute's memorandum of July 6th, 1949 (see Appendix A), and in paragraphs 158 to 165 of the Institute booklet on the Companies Act, 1947, which are reproduced in Appendix D.[1] The Institute's understanding of the intention of the Act is given in paragraph 158 of Appendix D which also contains the opinion of Counsel and a form of statement (paragraph 165) which has the approval of the Board of Trade as complying with the Act.

100. It seems desirable that the wording of the Act should be amended so as to indicate clearly the underlying intention which, as set out in paragraph 158 of Appendix D, is to provide the following information as to the profits less losses (or vice versa) of subsidiaries:

(*a*) the amount thereof which has neither been dealt with in the holding company's accounts of the year nor in its accounts of any prior year; and

---

[1] In this paper I have related my references to the booklet on the Companies Act, 1947, published in May 1948, in order to make clear the time at which the Board of Trade approval was obtained. It should, however, be noted that in November 1952 the Council issued a second edition under the title *The Companies Act, 1948*. Paragraphs 158 to 165 of the original booklet are now paragraphs 132 to 139 of the current edition.

(*b*) the amount thereof which has been dealt with in the holding company's accounts of the year subdivided to distinguish the amounts derived respectively from current and other results of the subsidiaries dealt with.

Pre-acquisition Profits (Eighth Schedule, paragraph 15 (5))

101. It is true to say that the orthodox view still largely prevails that when a company acquires shares in another body corporate the profits relating to those shares which were earned prior to the date of acquisition – termed 'pre-acquisition' profits – are not available for distribution to the shareholders of the acquiring company. This practice is generally thought to exemplify sound accounting principles and indeed would seem to be accepted by the first part of paragraph 15 (5) of the Eighth Schedule. Here it is indicated that profits or losses of a subsidiary may only properly be treated as revenue profits or losses of the holding company so far as they relate to the period after the date on or as from which the shares were acquired by the [holding] company or any of its subsidiaries. Specific exemption, however, from this practice is given in the latter part of paragraph 15 (5) where the acquiring company is a subsidiary of another body corporate and acquires shares either from its holding company or from a fellow subsidiary. This is understandable because in such a case no alteration is made in the overall constitution of the group and there is therefore no reason to 'freeze' any of its profits.

102. Where, however, a new company is formed to acquire all the shares of an existing company the exemption given by paragraph 15 (5) does not apply even though the effect of the exercise may be no more than the substitution of one piece of paper for another in the hands of the shareholders. It is interesting to note that the legal profession is not unanimous on this matter, the view being held in some quarters that in such a case profits earned by the existing company before its acquisition by the new company may be distributed in the form of dividends to the new company's shareholders. Personally I have much sympathy with this view in such a set of circumstances and I think the exemption given by paragraph 15 (5) could be widened to cover cases where a 'top holding company' is superimposed on an existing company or group without in any other way altering the constitution of the existing company or group.

103. In addition the existing provisions of paragraph 15 (5) do not seem to cover the case where a subsidiary sells its subsidiary to the holding company. Here again there is no change in the constitution of the group and it seems that the paragraph could be suitably amended also to cover such a transaction.

Auditors' Report on Banking or Discount Companies (Eighth Schedule, paragraph 23 (2))

104. Paragraph 23 (2) of the Eighth Schedule reads as follows:

> '23 (2) The accounts of a banking or discount company shall not be deemed, by reason only of the fact that they do not comply with any requirements of the said Part I from which the company is exempt by virtue of this paragraph, not to give the true and fair view required by this Act.'

The exemptions referred to in this paragraph are those allowed by paragraph 23 (1) of the Eighth Schedule, which is couched in such negative terms that to quote it here would involve reproduction of most of the Eighth Schedule. Briefly, a banking or discount company does not have to disclose separately in its balance sheet its reserves, provisions or liabilities or the amounts written off fixed assets; its profit and loss account need not disclose depreciation, taxation, amounts set aside for redemption of share capital or loans, investment income or transfers to and from reserves or provisions. And yet the paragraph which I have quoted above requires such a truncated set of accounts to be regarded as giving 'the true and fair view' required by the Act. What is more, the Ninth Schedule requires the auditors to report that accounts prepared in this manner give a true and fair view of the state of the company's affairs and of its profit or loss for the year, admittedly 'subject to the non-disclosure of any matters (to be indicated in the report) which by virtue of Part III of the Eighth Schedule to this Act are not required to be disclosed'. Either an account gives a true and fair view or it does not, and it seems extraordinary to require an auditor to state that such a view is given when in the same sentence he has, in effect, to say that the view is neither true nor fair.

105. In its memorandum to the Board of Trade dated April 23rd, 1951 (reproduced as Appendix B to this paper), the Institute drew attention to this anomaly and it is to be hoped that the next amendment to the Companies Act will allow the auditor to give a logical report in such circumstances.

106. An interesting article was contributed anonymously on this subject to *The Accountant* in its issue of March 3rd, 1956, entitled 'The accounts of banks and discount houses for 1955', the closing paragraph of which reads thus:

> 'There are, no doubt, good and sufficient reasons – having regard to the special nature of the business undertaken by banks and discount houses – why they should be exempted from some of the accounting requirements considered to be essential to give a true and fair view of the accounts of companies in general. The circumstances of the past year' (1955), during which, to quote from another part of the same article, 'the big five joint-stock banks and the three big discount houses have through no fault of their own, suffered exceptionally heavy losses and depreciation on their large portfolios of British

Government securities') 'however, lend emphasis to the suggestion, made to the Board of Trade by the Institute in 1951' (see appendix B) 'that the auditors' report in such cases should omit the words "true and fair" and merely state that the accounts are properly drawn up to disclose the state of affairs and the profit or loss so far as is required by the provisions of the Companies Act applicable to the class of company concerned.'

Excess Depreciation (Eighth Schedule, paragraph 27 (2))

107. Part IV of the Eighth Schedule is entitled 'Interpretation of Schedule' and includes paragraph 27 (2) which reads:

> '27 (2) Where:
> (*a*) any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, not being an amount written off in relation to fixed assets before the commencement of this Act; or
> (*b*) any amount retained by way of providing for any known liability;
> is in excess of that which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated for the purposes of this Schedule as a reserve and not as a provision.'

108. Paradoxically enough a matter of interpretation arises on the wording of this paragraph which leaves to 'the opinion of the directors' the decision whether any provision 'is in excess of that which . . . is reasonably necessary for the purpose'. The auditor's duty might almost seem to be confined to making up his mind in the light of the directors' views and any other relevant factors whether the provision made for depreciation is sufficient to enable him to report that the accounts give a true and fair view. Our friends in South Africa have gone further in their Act of 1952 which is entitled an 'Act to Amend the Companies Act 1926'. Schedule F to this Act adds, as the Eighth Schedule to the principal Act, a list of requirements with which a company's balance sheet and profit and loss account must comply, which requirements are very similar to those in the Eighth Schedule to our own Act. Paragraph 26 (2) of the South African Eighth Schedule contains the same words as those quoted above from paragraph 27 (2) of our Eighth Schedule until we get to the narrative following sub-paragraph (*b*). The wording then continues thus, the variation from the words of the United Kingdom Act being printed in *italics:*

> '. . . is in excess of that which in the opinion of the directors *and the auditors* is reasonably necessary for the purpose, the excess shall be treated for the purposes of this Schedule as a reserve and not as a provision; *Provided that if, contrary to the opinion of the directors, the auditors consider that an amount should be treated as a reserve, the auditors shall report specifically on the subject to the shareholders.*'

109. The additional words appearing in the South African Act put a direct onus on the auditor to determine the adequacy of the amount set aside for depreciation, which some people consider is beyond the competence of an auditor as such. This point of view argues that it is the duty of the directors (being men with knowledge of the business) to form an opinion on such a matter and that it is for the auditor having considered their views and after taking them and other relevant factors into account, to make up his mind whether the provision is reasonable. Nevertheless there are times when an auditor is unable to convince himself even after having heard the directors' views, that the directors could reasonably arrive at the opinion they express.

110. For myself, I think that the South African Act strengthens the auditor's position when there is a clear difference of opinion with the directors, and I feel that it is an improvement on ours.

Concluding Sentiments

111. Having now reviewed briefly some of the matters in which the Companies Act, 1948, appears to be deficient, let me hasten to say that the Act on the whole works remarkably smoothly. When it first appeared, the views expressed as to what did or did not comply with its accounting requirements were many and varied. When there was any material doubt the remedy was to add another note to the accounts, so that in some published accounts there may well have been two balance sheets, two profit and loss accounts and two or three pages of notes. No wonder the poor shareholder or investor became confused. However, experience during the last ten years has shown what can be discarded and how the information required by the Act can be presented clearly and concisely.

112. In this paper, I do not pretend to have covered all the shortcomings of the Act – there are probably many which are obvious to a lawyer and still unrecognized by accountants. I have, however, referred to and briefly discussed a number of points which have given practitioners food for thought and which might in some cases be clarified by amendments to the Act. I am aware that I have not covered all the arguments in favour of or against any of the changes which I feel are desirable; to have done so would deprive the discussions in the groups of much of their interest. I hope, however, that I have provided enough material for serious consideration by the members of the summer course and that, as a result of our further deliberations, a comprehensive series of suggested amendments to the Act may be forthcoming which will in due course simplify the work of all concerned in the application of the law as it affects the accounts and records of limited companies.

APPENDIX C

Companies Act, 1948

Third interim memorandum submitted to the Board of Trade by the Council of The Institute of Chartered Accountants in England and Wales, indicating matters for consideration on revision of the Act, dated October 1st, 1952.

Section 27

Section 27 provides that, subject to certain specified exceptions, a company cannot be a member of a company which is its holding company, and any allotment or transfer of shares in a company to its subsidiary shall be void. The specified exceptions do not cover the position where, since July 1st, 1948, company A. has acquired shares in company B. and subsequently company B. wishes to acquire a majority holding of shares in company A., thereby making A. a subsidiary of B. It is understood that the Board of Trade has expressed the view that in such circumstances:

(a) There is nothing objectionable in company B. acquiring shares in company A. and thus becoming its holding company; but if this is done, Section 27 will operate to make void the earlier allotment or transfer of shares to company A. by company B.;

(b) To avoid this difficulty, company A. would be well advised to dispose of its holding in company B. before company B. acquires a majority holding of shares in company A.

To require company A. to dispose of its shares in company B. is consistent with the object of Section 27, but it does not seem reasonable to require this to be done *before* company A. becomes a subsidiary of B. Moreover, it is not clear how Section 27 operates where company A. acquired its shares in company B. from a third party, as it is difficult to envisage that the transfer by the third party could be declared void.

Suggestion: Section 27 should be amended so that in circumstances such as the foregoing there would be a specified period within which the subsidiary is required to dispose of its holding of shares in the holding company.

Section 56

Section 56 provides that, subject to certain specified exceptions, the provisions of the Act relating to reduction of share capital shall apply to premiums on shares. One of the exceptions, contained in subsection (2), is that the share premium account may be applied in paying up unissued shares to be issued to members of the company as fully-paid bonus shares. This exception does not appear to cover the position where a company wishes to use the share premium account in order to pay up issued shares which had previously been partly paid.

Suggestion: Subsection (2) of Section 56 should be amended so that the exception extends to the paying up of issued shares which had previously been partly paid.

Section 143

Section 143 requires to be forwarded to the registrar of companies a *printed* copy of every resolution to which the section applies; but under the proviso to subsection (1) an exempt private company may forward, instead of a printed copy, a copy in some other form approved by the registrar. Section 143 however does not apply to an ordinary resolution to increase the share capital; such a resolution is governed by Section 63, subsection (2) of which requires a printed copy to be sent to the registrar of companies and there is no exception for an exempt private company. In view of the special proviso for exempt private companies in Section 143 it is anomalous that a similar proviso is not contained in Section 63.

Suggestion: Subsection (2) of Section 63 should be amended by the addition of a proviso similar to that contained in the proviso to subsection (1) of Section 143.

APPENDIX D

Extracts from the booklet published in May 1948, by The Institute of Chartered Accountants in England and Wales, entitled

The Companies Act, 1947[1]

158. The wording of sub-paragraphs 15 (4) (*b*) and (*c*), Eighth Schedule, Part II, is far from clear. It seems reasonable to assume that the intention of the paragraph and of the complementary requirements of paragraph 21 (*b*) was to ensure that shareholders in holding companies shall, as regards information relating to their share of the annual and accumulated profits – including revenue reserves – or losses of the group as a whole, be furnished with equivalent information to that which they would have been given had consolidated accounts been published dealing with all the companies in the group. This would have included the following information as to the profits less losses (or vice versa) of subsidiaries:

(*a*) the amount thereof which has neither been dealt with in the holding company's accounts of the year nor in its accounts of any prior year; and

(*b*) the amount of profits less losses (or vice versa) dealt with in the holding company's accounts of the year subdivided to distinguish the amounts derived respectively from current and other results of the subsidiaries dealt with.

159. The sub-paragraphs refer to the 'accounts' of the holding company, an expression which, contrary to business usage, is understood to refer in law only to accounts of the year, and to exclude those of prior years. They have, therefore, the presumably unintended effect of calling for the disclosure of useless figures of profits less losses of subsidiaries for the whole period from their acquisition less only amounts dealt with in the holding company's accounts of the year and not after deducting amounts dealt with in earlier accounts of the holding company.

Opinion of Counsel

160. We agree with the assumption made in our instructions (paragraph 158) as to the probable intention behind sub-paragraphs 15 (4) (*b*) and (*c*) of the Eighth Schedule, Part II, but the desired result has not, in our opinion, been achieved.

161. In our opinion the references to 'the company's accounts' in sub-paragraphs 15 (4) (*b*) and (*c*) mean the holding company's accounts for the year in question and do not include accounts for previous years.

162. Although the language is not clear we consider that the effect of sub-paragraphs 15 (4) (*b*) and (*c*) is that the statement annexed to the balance sheet where group accounts are not submitted must show:

(i) the net aggregate amount of such profits or losses of subsidiaries for the year of each subsidiary ending with or during the holding company's financial year (*a*) so far as dealt with in the holding company's accounts for the year in question; (*b*) (so far as it concerns the members of the holding company) so far as not so dealt with; and

(ii) the net aggregate amount of such profits or losses of subsidiaries for their other financial years since they became subsidiaries (*a*) so far as dealt with in the holding company's accounts for the year in question and (*b*) (so far as it concerns the members of the holding company) so far as not so dealt with.

163. 'Profits' in our opinion only includes profits made by a subsidiary which are or might have been distributed so as to become revenue profits in the hands of the holding company in the year to which the holding company's accounts relate; they do not include profits which have been distributed to the holding company in the past – which profits would have been dealt with in the previous accounts of the holding company, e.g. assuming two wholly-owned subsidiaries acquired on January 1st, 1947, making a net aggregate profit of £15,000 in each of the years, 1947, 1948 and 1949, distributing £5,000 in each year between them and retaining as a revenue reserve £10,000 in each year, the statement annexed to the holding company's accounts for 1949 would be: 'The net aggregate amount of the subsidiaries' profits for the year 1949 was £15,000 of which £5,000 is dealt with in these accounts and £10,000 is not so dealt with. The net aggregate amount of the subsidiaries' profits for their previous financial years since they became subsidiaries is £30,000, no part of which is dealt with in these accounts.'

---

[1] This booklet was replaced in November 1952 by a second edition under the title *The Companies Act, 1948*. The paragraphs reproduced here are now paragraphs 132 to 139 of the current edition.

164. This presentation is, however, unsatisfactory in that it does not inform the shareholders of the holding company that of the £30,000 profits made by the subsidiaries in previous years, £20,000 is still retained by them while £10,000 has been paid to the holding company by way of dividends. But we do not think that any fully satisfactory result will be achieved without some re-drafting of this part of Part II. We suggest that the Board of Trade be invited to exercise their powers under Section 454 (1) so as to clarify the position.

165. In view of the above opinion, the Council has been in communication with the Board of Trade and is authorized to state that no exception will be taken by the Board of Trade to the information required under the paragraph in question being dealt with by companies on the lines indicated in paragraph 158 above. Accordingly, the form of statement suggested by counsel in paragraph 163 above would be amended to read:

	Profits in respect of financial years of subsidiaries		
	ending in 1949	*other years*	*Total*
The net aggregate amount of the profits *less losses* (A) of the subsidiaries *so far as it concerns the members of this company* (B):	£	£	£
(i) dealt with in this company's accounts for the year 1949 amounted to (gross)	9,090	—	9,090
Less Income tax ..	4,090	—	4,090
	5,000	(C)	5,000
(ii) not dealt with in this company's accounts for the year 1949 amounted, after charging taxation, to	10,000	20,000	30,000

(A) Where applicable;

(B) Where one or more than one subsidiary is not wholly-owned;

(C) 'Other years' will normally be years of subsidiaries ending prior to the holding company's year 1949; but if an interim dividend were declared by a subsidiary out of its profits for a year ending within the holding company's year 1950, and taken up in the holding company's accounts for 1949 the amount of such interim dividend would be included in this column.

APPENDIX E

Extracts from the Report of the Committee on Shares of No Par Value dated January 14th, 1954 (Cmd. 9112)

Majority Report

VI Summary of Recommendations

72. (1) The Companies Act, 1948, should be amended so as to allow the issue of ordinary shares of no par value. This amendment should not extend to shares having a fixed dividend element or a fixed element of repayment of capital (paragraphs 39, 40).

(2) Companies should be allowed by special resolution to convert their ordinary shares having a nominal value into shares of no par value. Where there is more than one class of share, the conversion should be subject to approval by extraordinary resolution of the holders of each such class (paragraphs 42, 48).

(3) Companies should be allowed by special resolution to convert their fully paid shares of no par value into shares having a nominal value (paragraph 42).

(4) The ordinary share capital of a company should be required to be wholly either in the form of shares having a nominal value or in the form of shares of no par value; no company should be allowed to have ordinary shares of both these descriptions at the same time (paragraph 41).

(5) It should be permissible for shares of no par value to be partly paid; in that case the fact should be clearly stated on the share certificate, in the balance sheet, annual return and other appropriate documents (paragraph 43).

(6) The above recommendations should apply to all companies having a share capital, including private companies (paragraphs 44, 51).

(7) In the case of a company having shares of no par value, the whole of the proceeds of an issue, whether of preference or ordinary shares and be it the first or a subsequent issue, should be carried to 'stated capital account', but preliminary expenses, commissions and expenses of issue should be charged to that account. In the case of an issue for a consideration other than cash, there should be carried to stated capital account a sum equal to the value of the consideration as assessed by the directors, preliminary expenses, commissions and expenses of issue, if any, being charged to that account. A note of all such expenses and commissions should be included each year in the balance sheet laid before the shareholders for two years after they are first so charged (paragraphs 45, 52 (2), 52 (5)).

(8) Where a company having ordinary shares of a nominal value converts such shares into shares of no par value, the whole of its paid-up capital (whether ordinary or preference), together with its share premium account, should be carried to stated capital account; and conversely, where a company converts its shares of no par value into shares having a nominal value, the stated capital should be carried to paid-up share capital account (paragraphs 46, 52 (3), 52 (4)).

(9) The transfer of reserves and other sums to stated capital account, thus 'freezing' them, and the splitting of shares of no par value should require approval by special resolution (paragraph 62).

(10) Where there is no substantial change in the ownership of an undertaking as a result of a reconstruction or amalgamation revenue reserves which existed before the reconstruction or amalgamation should not be 'frozen'. This facility should be extended to companies with shares having a nominal value (paragraph 65).

(11) Some consequential changes will be necessary in the registration fees and capital duty imposed on companies; there should be no discrimination of any kind in the incidence of duty as between companies under either system (paragraphs 70, 71).

73. In this summary of recommendations we have indicated the manner in which the Companies Act, 1948, would in our opinion require to be amended. If our recommendations are adopted, a number of consequential amendments to the Act will no doubt be necessary.

Minority Report

Conclusions

31. My view is that my colleagues who have signed the Majority Report have given too much weight to the technical issues and as a consequence have failed to take sufficiently into account the wider public interest. They have, in addition, attributed to no par value shares advantages which would not be yielded by such shares.

32. Nor can the Committee point to any strong or general demand for no par value shares. While a demand exists among some professional investors and speculators there is an equally strong or even stronger opposition from the trade union movement to which insufficient importance has been attached.

33. Every effort should be made by responsible bodies to present simply and intelligibly to the public, to investors and to workpeople the facts of company finance. While this responsibility extends, so far as their members are concerned, to trade unions, a primary responsibility must obviously lie upon employers and directors to make available far more information than they do now. I am convinced that far more would be gained by such an educational process than would be achieved by any change in the law.

34. Looking beyond the technical issues of no par value

shares to the wider public interest to which our terms of reference enjoined us to have regard, I am satisfied that no case has been made out for introduction of such a system. I therefore recommend most strongly that no amendment for this purpose should be made to the Companies Act 1948.

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(*Concluded.*)

Weekly Notes

This Week's Supplement

WHEN, with our Christmas issue in 1952, we included a supplement in colour depicting the badges of the presidents of the Institute's district societies, the London and District Society lacked a badge of office for its chairman. But this is not so remarkable when it is recalled that this Society was not constituted until November 1942, and it is apparent from the notes which accompanied our earlier supplement that in the majority of instances, many years elapsed between a society's formation and the acquisition of a badge for its principal officer.

In 1956, however, this deficiency in respect of the London and District Society was remedied, and we now have the pleasure of presenting with this issue – while the autumn meeting under the Society's auspices is in progress – a colour plate in which the Society's badge is reproduced. The reproduction is, of course, larger than the actual size.

The badge is worked in 18-carat gold, enamel and pearls. The design incorporates the coats of arms of the City of London and of the Institute, between which, on an oval of translucent blue enamel, is an emblematic representation of the River Thames whose basin forms the Society's area. At each side myrtle branches – ceremonially used by the ancients to symbolize success and leadership – are represented, with flowers formed of pearls of wisdom. The whole is contained within an unbroken ribbon of gold – denoting unity and eternity – bearing the name of the Society.

The badge is a masterpiece of artistry and of the goldsmith's craft, and it has on several occasions been borrowed by the Goldsmiths' Company for exhibition.

Sir Harold Gillett Elected London's New Lord Mayor

OVER 750 liverymen were present in the Common Hall of Guildhall on Monday when Sir Harold Gillett, M.C., F.C.A., was elected Lord Mayor of London for the coming year.

Sir Harold, who will be admitted to office on November 8th, is senior partner in the firm of Dixon, Wilson, Tubbs & Gillett, Chartered Accountants, of London, and a member of the Council of The Institute of Chartered Accountants in England and Wales.

Sir Harold Gillett receives the Shrival Chain during the ceremony of election.

In returning thanks on his election, Sir Harold declared his great willingness to assume this great office and to carry out the duties to the best of his ability, and to uphold those traditions of the City which had been built up over the past centuries. He continued:

> 'This city has survived for 2,000 years on character and integrity, and its general conduct of affairs. I am not one of those who subscribe to the suggestion that it might be on the decline. I believe we are in the ascendant.'

Sir Harold, who is 67, was mentioned in dispatches and awarded the M.C. in the First World War, in which he served in the Middlesex Regiment. He was admitted an Associate of the Institute in 1914 and elected a Fellow in 1925; he became a member of the Council of the Institute in 1949. He is the immediate Past President of The Chartered Accountant Students' Society of London.

In 1948 Sir Harold was elected an Alderman, and in 1952 he served as a Sheriff. In June of the following year he was knighted by Her Majesty the Queen on the occasion of her visit to Guildhall.

Paying Wages by Cheque

INTEREST in the payment of wages by cheque has been revived, initially by a letter in *The Times* last month from Sir Miles Thomas, who asked who would be the first of our parliamentarians to raise the matter of the Truck Acts in the House. This not unnaturally brought forth a letter from Mr Graham Page, M.P., who has for some time been advocating reforms in this direction and who has twice come near to success with private measures, once when piloting his Bill which became the Cheques Act of 1957 through Parliament – the sections relating to payment of wages by cheque had to be withdrawn so as not to jeopardize the chances of the remainder of the Bill – and again this year when his Wages Bill received a second reading but was felt by the Government to run contrary to the Truck Acts which, although obsolete, are still in the Statute Book and, therefore, are law. Mr Page, in his letter to *The Times*, expressed his intention of re-presenting his Wages Bill at the earliest opportunity. When this occurs, the Government should take the chance to make it law, thus ending a situation for long anachronistic.

The implications of the Truck Acts provisions and the advantages of paying wages by cheque were fully discussed in leading articles in our issues of November 24th, 1956, and February 8th, 1958.

Retirement of Mr S. J. D. Berger

AFTER thirty-three years' devoted service to The Institute of Cost and Works Accountants, during which time he has seen the total number of the Institute's members and registered students increase twentyfold, Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., has retired as Director and Secretary of the Institute.

Mr Berger joined the Institute as its secretary in 1925 after serving in the First World War as one of Kitchener's First Hundred Thousand. During the war he was commissioned in the field and awarded the Military Cross for conspicuous gallantry at Arras.

He was appointed Director of the Institute soon after the beginning of the Second World War and became the Institute's spokesman in its relations with Government departments and committees on such questions as the training and engaging of costing staffs, deferment applications, the administration of Essential Works Orders, and ex-servicemen's resettlement.

His post-war activities have included membership of the British Management Council, the Ministry of Education's committee on education for management, and the secretaryship of the Management Accounting Team, sponsored by the Anglo-American Council on Productivity, which visited the United States in 1950.

Mr Berger was appointed O.B.E. in this year's Birthday Honours. In 1955 he was presented by the Paris municipal council with the Silver Medal of the city for services to the French and British accountancy professions, and in 1957 with the Boy Scouts' Silver Acorn for services to the movement.

Mr Berger has worked for his Institute with never-failing enthusiasm and has taken a distinguished part in developing its status and size. It is with the greatest pleasure that we join with his friends throughout the world in wishing him a long and happy retirement.

Simplified Transfer Forms

THE Chartered Institute of Secretaries has settled and recommends for general adoption, a simplified form of share transfer. The objects which the Institute had in mind in preparing the form were, by clearer layout and elimination of unnecessary detail, to make its correct execution easier for the layman, thereby saving much wasted time and needless correspondence, and, so far as possible, to ensure its completion in legible form.

The new form should be acceptable to all types of registering officials – not only those employed by limited companies – in connection with all forms of security. It represents the largest measure of agreement which could be reached between the various bodies primarily interested, including the Inland Revenue authorities, the Bank of England, and the Share and Loan Department of the Stock Exchange, London.

The form, in addition to avoiding unnecessary detail, sets out all the required information in logical sequence and in such a form as to present that information to the eye as clearly as possible with the minimum likelihood of confusion.

The new form will be made available through the usual channels.

Share Fraud Charges: Three Acquittals

THE trial at the Central Criminal Court of charges[1] relating to shares in Tati Goldfields and the Sage Oil Co ended abruptly on September 23rd when Mr Justice Salmon directed the jury to acquit two of the defendants, Whitehead and Barnett, and one of the limited companies, Whitehead Industrial Trust, and ordered a retrial for the other three accused men and the remaining company.

The names of the defendants before the Court were Arthur John Whitehead, aged 65, director, of Abbey Lodge, Hanover Gate, Regent's Park; Cecil Stanley Barnett, aged 53, financial journalist, of Kenton Road, Harrow; Leonard Charles Cole, aged 54, stockbroker, of London Road, Wickford, Essex; Frank Hay Livingstone Mackinnon, aged 41, director, of Church Road, Great Bookham, Surrey; and Eric James Limpkin, aged 38, journalist, of Church Road, Purley, Surrey. The two companies were Whitehead Industrial Trust Ltd and Boundia Securities Ltd.

After submissions by defence counsel the judge ruled that there was no evidence for the jury to consider in the cases of Whitehead, Barnett, and the Whitehead Industrial Trust Ltd. The jury returned formal verdicts of not guilty and the three were discharged. The submissions having been made in the presence of the jury, when statements were made about the remaining defendants, their counsel asked that the jury be discharged and a new trial ordered. The judge said it was unfortunate that no one had applied to have the submissions as to no case being made in the absence of the jury. He doubted whether the jury's minds had been affected by what had been said about the remaining defendants but he must give them the benefit of the doubt. Accordingly he discharged the jury and ordered a new trial.

Industrial and Provident Societies Report

PART III of the Report of the Chief Registrar of Friendly Societies for the year 1957 published last Monday[1] deals with societies registered under the Industrial and Provident Societies Acts, the most common manifestation of which are the well-known 'co-operative societies'. During 1957 the sales of the general retail stores amounted to £952 million, an increase of £65 million or 7·4 per cent on the previous year. The sales averaged £1 10*s* 0*d* per member per week as compared with £1 9*s* 1*d* in 1956. The shareholding membership of these societies increased by 244,000 to over 12 million, but the rate of increase (2·1 per cent) was rather less than the average in recent years. Out of a surplus on the year's working of £66 million, these societies paid £7 million as interest on shares at an average rate of 2·87 per cent and £51 million as dividend on sales at an average rate of 1*s* 1*d* in the £. The report includes an analysis of the total retail sales.

The sales of the Co-operative Wholesale Society Ltd during 1957 amounted to £454 million, or £10 million more than in the previous year. The Scottish Co-operative Wholesale Society Ltd increased its sales by £1 million to £89 million. A third society, the English and Scottish Joint Co-operative Wholesale Society Ltd, which constitutes in effect the tea, coffee and cocoa departments of the two other societies, increased its sales by £1 million. The remaining wholesale and productive societies had sales of £43 million.

The life assurance funds of the Co-operative Insurance Society Ltd increased during 1957 from £162 million to £171 million and its other insurance funds amounted at the end of the year to over £6 million. The total number of life assurances in force increased by over 200,000 to nearly 12 million. Total premium income increased from £40 million to nearly £44 million, of which £34 million was for life assurance.

This is but a fraction of the large amount of interesting information in the report, which also records some decisions of the Registrar on disputes submitted to him.

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[1] See *The Accountant*, July 26th, 1958, page 109.

[1] H.M.S.O. 5*s* 6*d* net.

Finance and Commerce

Interim Accounts

READERS will no doubt be interested in seeing examples of interim statements following references to the subject in recent issues. It is of more than passing interest to know of companies that issue such statements, as well as the extent of the information given, the basis of the figures – audited or otherwise – and the length of time taken to produce the figures.

This week's reprint, therefore, shows interim statements issued by two leading companies: The Bowater Paper Corporation Ltd and The British Petroleum Co Ltd. Each is for six months ended June 30th, 1958. Sir Eric V. Bowater dated his quite lengthy accompanying report on September 9th; Mr T. MacDonald, secretary of British Petroleum, signed his company's announcement on behalf of the board on September 11th. Both statements are subject to audit.

In both cases, the point is made that taxation is shown on an estimated basis – 'based on legislation presently in force', says the Bowater statement, adding: 'A more precise calculation cannot be made until the results of the full year are known.' As previously, the statement continues, no provision has been made for profits tax on the dividends of the Corporation; but because of the changes in the 1958 Finance Act, such additional profits tax will, on this occasion, apply only to one-quarter of the total dividends payable in respect of the year.

Bowater Comment

Further notes with the Bowater statement explain that figures in respect of companies operating overseas have been converted into sterling at rates of exchange ruling on June 30th, 1958, and that for the convenience of stockholders resident in North America, the financial statement has also been expressed in dollars, for which purpose a conversion rate of $2.80 to the £ has been used. During the period, it is added, exchange losses amounting to approximately $625,000 were incurred on sales by the Canadian mill companies to customers in the U.S.A.

Sir Eric, in his report, says the first half of 1958 saw continued weakness in market conditions in relation to newsprint in the United States, in the principal export markets, and to a lesser extent in the United Kingdom. He is not one of those who sees a sharp upturn just round the corner, but taking the longer view, he thinks things are going to improve; and for the full year figures, he says – with the usual proviso about the unexpected – it is reasonable to expect current year results will match up to those for 1957.

British Petroleum has left the figures – approximated to thousands – to tell the story. Publication of the statement was also made the occasion, however, to announce the capitalization of £101,200,670 of reserves by an issue of one new £1 share for every £1 of stock held, with the customary reservation that it should not be inferred from the proposed capitalization that the amount paid in dividend would be bigger than in 1957.

Both companies, as was to be expected, also announced their interim dividends with their interim statements, or more correctly added the interim financial statements to the interim dividend announcements.

Next Week's Reprints

Further examples of interim statements will be reprinted in next week's issue.

THE BRITISH PETROLEUM COMPANY LIMITED

INTERIM DIVIDEND AND HALF-YEAR'S GROUP INCOME STATEMENT

The unaudited Group Income Statement for the half-year ended 30th June, 1958, follows:

In thousands of £s

	Half-Year ended 30th June 1958	*1957*	*Year 1957*
SALES PROCEEDS	404,224	386,368	792,992
Deduct: Sales Taxes, Customs and Excise Duties, etc.	109,094	93,228	197,050
NET SALES	295,130	293,140	595,942
DIVIDENDS AND OTHER INCOME	8,271	5,791	11,985
	303,401	298,931	607,927
COST OF OIL, OPERATING, SELLING AND ADMINISTRATION EXPENSES	211,820	222,578	434,437
DEPRECIATION AND AMOUNTS WRITTEN OFF	22,627	19,677	43,463
INTEREST PAYABLE	2,790	1,671	3,363
	237,237	243,926	481,263
INCOME BEFORE TAXATION	66,164	55,005	126,664
TAXATION (Estimated):			
UNITED KINGDOM AND OVERSEAS	40,114	32,443	71,480
	26,050	22,562	55,184
Deduct: Income applicable to Minority Shareholders	116	163	550
NET INCOME	25,934	22,399	54,634
Attributable to:			
BP & Companies Consolidated in Annual Accounts	24,479	21,180	52,018
Non-Consolidated Companies	1,455	1,219	2,616
	25,934	22,399	54,634
Group Sales (in million tons)	31	22	53

THE BOWATER PAPER CORPORATION LIMITED AND SUBSIDIARY COMPANIES

INTERIM CONSOLIDATED FINANCIAL STATEMENT

Six months ended 30th June 1957 $	$	FOR THE SIX MONTHS ENDED 30TH JUNE 1958	£	*Six months ended 30th June 1957* £
125,471,000	132,933,000	**Sales** value of paper, pulp, packaging and other products	47,476,000	*44,811,000*
21,515,000	13,104,000	**Sales** of power and merchanted goods; charges for services	4,680,000	*7,684,000*
$146,986,000	$146,037,000		£52,156,000	*£52,495,000*
23,248,000	24,626,000	**Trading surplus** and other revenue of the Corporation and its subsidiary companies	8,795,000	*8,303,000*
6,737,000	7,048,000	Depreciation and amounts written off	2,517,000	*2,406,000*
16,511,000	17,578,000		6,278,000	*5,897,000*
2,360,000	2,321,000	Interest on loan capital of subsidiary companies	829,000	*843,000*
14,151,000	15,257,000	**Consolidated profits before taxation**	5,449,000	*5,054,000*
5,684,000	6,160,000	Provision for United Kingdom and overseas taxation	2,200,000	*2,030,000*
8,467,000	9,097,000	**Consolidated profits after taxation**	3,249,000	*3,024,000*
1,100,000	1,084,000	Dividends on preference capital of subsidiary companies publicly held	387,000	*393,000*
—	375,000	Proportion of profits attributable to minority interests	134,000	—
1,100,000	1,459,000		521,000	*393,000*
$7,367,000	$7,638,000	**Balance of profits attributable to the Corporation**	£2,728,000	*£2,631,000*
		Corporation interest and dividends paid or accrued for the period *less* income tax		
431,000	1,025,000	Interest on loan capital	366,000	*154,000*
321,000	327,000	Dividends on preference capital	117,000	*115,000*
$752,000	$1,352,000		£483,000	*£269,000*

CITY NOTES

THE stock-markets still hold firm with strong demand persisting for industrial equities. The main driving force continues to be the hope of economic re-expansion over the next few months and the market is therefore content to ignore the absence of any major improvement in basic raw material prices and in shipping freight rates, both of which may ordinarily be assumed to have some bearing on economic redevelopment prospects.

At the same time the market continues to absorb company news reflecting the tightness of profit margins and the increasing severity of competition in export markets. The Imperial Chemical Industries figures brought temporary attention to these points but that attention has only served to help the investment swing away from the heavy basic industries and towards 'consumer' industries.

For that reason the rise in television, store, motor and property shares goes on even though present prices must be discounting the future some considerable way ahead.

Meanwhile the Wall Street market continues to show a two-way trend of rising equities and falling bond prices. It is felt that the New York market may be under-estimating the capacity of the Government to pinch out inflation and there is a growing opinion that American common stocks may be dangerously high.

The poor state of Government credit in the United States is in marked contrast to the position here, where the gilt-edged market moves slowly ahead and where the heavy flow of money into small savings continues unabated.

RATES AND PRICES

Closing prices, Wednesday, October 1st, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

July 25	£4 3s 2·26*d*%	Aug. 29	£3 15s 2·47*d*%
Aug. 1	£4 0s 2·49*d*%	Sept. 5	£3 14s 0·93*d*%
Aug. 8	£3 17s 3·63*d*%	Sept. 12	£3 13s 6·81*d*%
Aug. 15	£3 14s 5·00*d*%	Sept. 19	£3 11s 9·20*d*%
Aug. 22	£3 14s 6·25*d*%	Sept. 26	£3 12s 6·10*d*%

Money Rates

Day to day	2¾–3⅜%	*Bank Bills*	
7 days	3½–3⅝%	2 months	3¾–3 13/16%
Fine Trade Bills		3 months	3¾–3 13/16%
3 months	4½–5¼%	4 months	3¾–3 13/16%
4 months	4½–5¼%	6 months	3¾– 3⅞%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 11/16–¾	Frankfurt	11·69– ¼
Montreal	2·73 15/16–74 1/16	Milan	1743½– 4
Amsterdam	10·56½–⅝	Oslo	19·99¼– ¾
Brussels	139·20 –·22½	Paris	1176 – ⅜
Copenhagen	19·33¼–½	Zurich	12·20⅞–21⅛

Gilt-edged

Consols 2½%	52xd	Funding 4% 60–90	87⅝xd
Consols 4%	76¼	Savings 2½% 64–67	81 15/16xd
War Loan 3½%	69	Savings 3% 55–65	89⅜
Conversion 3½%	67⅞	Savings 3% 60–70	79½
Conversion 3½% 1969	86⅛	Savings 3% 65–75	73⅞
Exchequer 5½% 1966	102¼	Treasury 2½%	50 5/16
Funding 3% 66–68	83	Treasury 3½% 77–80	77⅜
Funding 3% 59–69	81½xd	Treasury 3½% 79–81	76⅜
Funding 3½% 99–04	74	Victory 4%	94⅝

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Life Assurance Premium Certificates

SIR, – A client of mine recently took out a life assurance policy, and in accordance with custom I wrote to the company concerned asking for a life assurance premium certificate. I was surprised to receive the following reply:

> 'We understand that you have requested a life assurance premium certificate in respect of the above policy. We are unable to issue such a certificate as the premium does not exceed £50 per annum.
>
> 'This ruling was given by the Life Offices' Association by arrangement with the Inspector of Taxes, the Life Offices' Association being an organization which is a representative body for the Life Offices of the United Kingdom.
>
> 'We very much regret therefore that we are unable to comply with your request.'

Is the rule generally adhered to? After all, the life assurance premium certificate is only a piece of paper and I should have thought that the Life Offices would have considered this but a very small service to render to their customers.

Yours faithfully,

Evesham. C. R. P. RAYMER.

[The Secretary of the Life Offices' Association comments: The life assurance premium certificate is issued only for the purpose of production to the Inland Revenue authorities, if required, to save the policyholder having to produce the policy itself in order to obtain life assurance relief on the premiums. The certificate is of no value for any other purpose. In view of this, and bearing in mind that many years ago the Inland Revenue authorities agreed that production of the certificate would not be required in respect of any policy under which the annual premium was less than £50, there would seem to be no point in life offices issuing a life assurance premium certificate form where the annual premium does not exceed that amount. I think, possibly, the reply which your correspondent received was meant to convey this thought.]

Financial Control

SIR, – The comments which Mr W. P. Wood (September 27th issue) passes on Mr Risk's reference in his article in your September 13th issue, to the 'screening' of capital expenditure projects point to the importance of the intuitive element in the approach to investment.

I think that Mr Wood would agree that it would be very dangerous to ignore the arithmetical approach and that, in fact, many boards insist on the arithmetical appraisal before sanctioning expenditure. The extent to which intuition enters into a financial decision depends on the degree to which authority to spend must be sought and the nature and extent of the spending. In the extreme case of the establishment of completely new production facilities, costs may be forecast in complete detail. In such a case, there is usually no ability to proceed and retrench if necessary, although, of course, cost control of the complete project would be by way of cost control of items and stages.

The relevance of Mr Wood's remarks must be related to the particular kind of investment which he is visualizing, but generally speaking, where there is a proposal to extend or alter the balance of production facilities, the accountant must expect to provide either a financial appraisal or a statement of the financial implications. In either case, he personally will obtain considerable benefit from considering the financial aspect of a project at the outset.

Yours faithfully,

Denham, Bucks. A. J. PERERA, A.C.W.A.

SIR, – In his letter published in your issue of September 27th, Mr Wood rightly draws attention to the importance of 'screening' capital expenditure projects. Fuller information on this subject, with examples, was given in *The Accountant* of July 26th, 1958, in my article dealing with factors affecting decisions on capital expenditure.

When the paper on financial control was presented at a meeting of the British Institute of Management, reference was made to the work by Mr J. A. Scott, C.A., F.C.W.A., A.M.B.I.M., on 'The economics of plant replacement', published in *The Cost Accountant*, of April 1958.

Whether the four methods of screening expenditure stated in my article are correctly described as 'accounting devices' depends on how one defines 'accounting'. It is not unknown for accountants themselves to vary in the meaning they ascribe to words.

Your correspondent points out with truth that

> 'in the circumstances in which we live today unexpected hazards are liable to arise at almost any time, and are often quite unforeseeable by even the best informed management; the longer a project (or group of projects) takes to reach fruition, the greater the risk involved'.

Perhaps this is why it may well be wise in certain cases to take into account even the possibility of a sale of plant at break-up values, as indicated in the fourth method of screening capital expenditure, to which Mr Wood draws attention.

As the choice among competing schemes may indeed be difficult, it is only fair that the pros and cons of each should be set down on paper and the relevant calculations worked out so that the respective merits may be compared on a common basis. Perhaps it is not so much in the arithmetic of the calculations that the importance lies, but in the statement by management of the assumptions underlying all the factors on which the calculations are based.

Ultimately some degree of personal judgment may determine the final decision, but one must beware of what has somewhat unkindly been called the 'rabbit's foot' executive. He is one who bases his decisions on so-called 'hunch', plus the cherished ownership of his talisman – a rabbit's foot.

The aim of the accountant should be so to reveal the effects of the management's forecasts and assumptions that the scope for guesswork or 'personal judgment' is narrowed down in the greatest degree possible.

Yours faithfully,

London. JAMES RISK.

Annual General Meetings

SIR, – I would like to thank 'A. G. M.' (August 30th), 'A Lawyer' and Mr J. G. Cranmer (September 6th) for their kind replies to my letter published in your issue of August 23rd.

As far as 'A. G. M.'s' reply is concerned, my company does, of course, have an annual general meeting in every calendar year, but my difficulty is, as I tried to set out in my letter, that there seemed to be a strong prospect that although general meetings would occur within fifteen-month periods, it is possible to have a longer period between annual general meetings.

'A Lawyer's' suggestion that the annual general meeting is in any case put off until the early part of the following year would, of course, eliminate the difficulty, but it would mean that the accounts for the shareholders would be needlessly held up, as would the approval of the final dividend.

Mr J. G. Cranmer was most interesting on the question of the annual return and I have met almost exactly the same conditions myself. For example, having already filed one annual return for this year, I shall not be allowed to file another to cover the general meeting held in, say, November of this year.

I should still be interested to know if anybody has any other solution to my original question.

Yours faithfully,

London, EC3. E. J. BADEN.

Decimal Coinage

SIR, – The account of the proposed South African decimal coinage system in your issue of September 27th, suggests to me two particular objections to the system advocated. May I put forward the following observations prompted by your account?

The £ sterling is the largest currency unit employed by any important nation. The mark, the franc (whether Swiss or French), let alone the lira, are fractions of a £. Even the dollar is still worth less than a £. In these inflationary days any scheme which reduces the basic unit (even by half, namely to 10*s*), is a mistake.

No coin, expressed in terms of the basic unit, should involve more than three places of decimals. The proposed ½ cent copper coin of South Africa is 0·0025 of the basic unit.

In the metric system of weights and measures there are seven different units, each a tenth of the preceding one (hence 'decimal'). Of these, four are in normal use for appropriate purposes, namely:

kilogram (kilometre)
gramme (meter)
centigram (centimetre)
milligram (millimetre)

No confusion is caused in this way. Let us not get obsessed by the idea that a decimal system involves only two named coins, one being one-hundredth of the other; a division of the pound note into one thousand parts (roughly equivalent to a farthing), with three named coins is perfectly logical. The table would then be:

£1 = 10 florins
1 florin = 100 cents

On this basis the conversion table would be:

Present coin	Expressed in terms of		
	Pound	Florin	Cents
Half-crown ..	0·125	1·25	125
Florin	0·1	1·0	100
Shilling ..	0·05	0·5	50
Sixpence ..	0·025	0·25	25
Threepence ..	0·012	0·12	12
Penny	0·004	0·04	4
Halfpenny ..	0·002	0·02	2
Farthing ..	0·001	0·01	1

Sums or calculations exceeding £1 would normally be expressed in terms of pounds; those between a florin and a pound in terms of florins; those under a florin in terms of cents. This system would involve a depreciation of the copper coinage by 4 per cent since a person with a pound's worth of coppers would find himself with £0·96. The withdrawal of the moribund silver threepence (which would have to remain worth £0·0125) would also follow. Any hardship caused by these matters could be minimized. The difficulties would be far less than those caused in South Africa in finding an equivalent for the one cent copper coin, which would be worth 1·2 pence.

Yours faithfully,

Reigate, Surrey. H. KAY JONES.

Stock Valuation: LIFO

SIR, – While it would appear to be fairly common accounting practice in North America and elsewhere to value inventory on the last-in-first-out basis, combined with standard costing, this method of inventory valuation does not appear to have been adopted to any extent in the United Kingdom.

I am desirous of gaining some knowledge of the practical application of this method of inventory valuation and I shall be glad to have any information which readers may kindly offer and to know of any company in the United Kingdom which uses the LIFO system.

Yours faithfully,

'GEOM'.

Twenty-third Autumn Meeting

OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Opening Day's Proceedings

The twenty-third autumn meeting of The Institute of Chartered Accountants in England and Wales opened in London on Thursday and ends at lunch-time today (Saturday). The meeting is under the auspices of the London and District Society of Chartered Accountants, this being the first occasion that an autumn meeting has been held in London since 1921.

The conference commenced with a service in St Paul's Cathedral on Thursday morning, at which the sermon, reproduced on another page, was given by the Rt. Rev. and Rt. Hon. J. W. C. Wand, P.C., K.C.V.O., D.D., a former Bishop of London. Afterwards members and their ladies assembled at the Royal Festival Hall for the official opening. Mr Charles W. Aston, A.C.A., Chairman of the London and District Society, presided. He expressed the appreciation of the assembled company at the presence of the civic dignitaries and welcomed the members and their ladies to the conference.

The personalities on the platform included the Lord Mayor of London and the Mayor of Lambeth, the President, Vice-President and Past Presidents of the Institute, together with officers and members of the committee of the District Society.

WELCOME BY THE LORD MAYOR

The Lord Mayor of London, Alderman Sir Denis Truscott, delivered the following address of welcome:

A year ago I was asked by a friend of mine, who is in fact the chairman of the organizing committee for this autumn meeting, if I would be present and address a few words of welcome at this opening session of the autumn meeting of your Institute. Little did Mr Aston know how many fences would have to be jumped before that seemingly simple request could materialize.

First of all, I am not 'master in my own house', for this Festival Hall comes within the boundaries of the Borough of Lambeth. Secondly, I am dangerously close to the headquarters of the London County Council and although the City works in close harmony with their chairman, I would not like to tread on their toes. And thirdly, I tend to run a mile when anybody mentions accountants, especially chartered ones, for I am no expert on the figures of their profession. (*Laughter.*)

However, His Worship the Mayor very kindly gave me permission to come to his borough, the Chairman of the London County Council was unable to attend anyhow, and Mr Aston told me it was unnecessary to comment on the figures in which he is interested. (*Laughter.*)

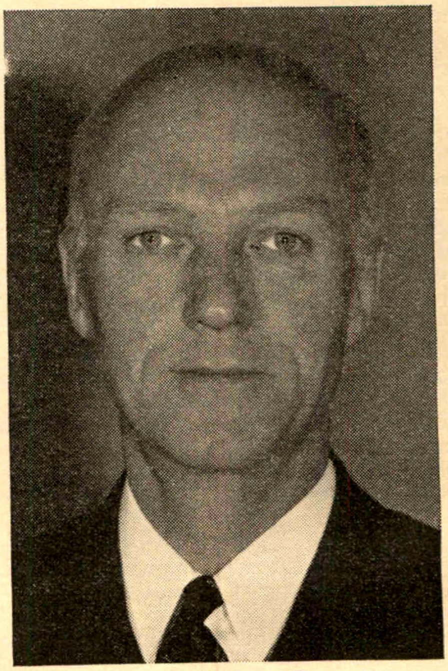
It therefore gives me very great pleasure to welcome to London all the delegates attending this autumn meeting. Many of you have come from the provinces, and I sincerely hope each and all of you will benefit from and enjoy the various sessions.

First London Meeting Since 1921

This is, I believe, the first occasion since 1921 that London has been the venue of the autumn meeting of the Institute, a biennial gathering which affords members the opportunity of discussing the latest professional topics as well as providing a pleasant social meeting ground. The actual origins of the autumn meeting go back even further.

This is also the first autumn meeting since integration brought the two premier bodies of accountants in England into one fold; namely the Institute and the Society of Incorporated Accountants. By this merger the Institute's membership has increased from approximately 20,000 to about 30,000.

London, because of its size, may not offer to pro-



Alderman Sir Denis Truscott

Mr C. W. Aston, A.C.A., Chairman of the London and District Society, who presided at the opening session.

fessional bodies the same opportunities of living almost under one roof which is afforded by the resorts which are more often the chosen place of such assemblies. It is not unfitting, however, that the welcome extended to the Institute on this occasion should come from the Lord Mayor of London, in whose city accountants are perhaps thicker on the ground than anywhere else in this country. At least three chartered accountants have already been Lord Mayors of London: Sir Edward Moore in 1922–23, Sir Maurice Jenks in 1931–32, and Sir Frederick Rowland in 1949–50. I am also very happy to say that Sir Harold Gillett, who is a member of the Institute's Council, was elected on Monday last as Lord Mayor of London for next year, and will take office on November 9th next. (*Applause.*)

The importance nowadays of the accountant in the economic life of the nation can be judged perhaps from the substantial extent to which members of the profession are now working directly for industrial and commercial firms and keeping a watchful eye on all aspects of the everyday financial affairs of their companies. It may be a testimony to the Institute's desire to encourage 'industrial' accountants to take an even greater part in its doings, that one of them, to whom I have already referred, Mr Charles W. Aston, is chairman of the London and District Society of Chartered Accountants, which has been chiefly responsible for the organization of this meeting. The essential part played inside industry and commerce by the accountant may also in part be gauged from the fact that not a few of the profession have reached the top, and several are chairmen of boards of directors. And although I hate to admit it, where should we be without them?

Accountants in practice are also becoming more and more concerned with the most modern methods of business management. An increasing number of firms have set up departments to handle management accounting and provide a business advisory service. Not the least of the problems they are having to master is that of the new systems of working, staffing, and organization, which their clients will need if they are to make the fullest use of the new tool of management, the computer. This is very much a live issue in the world of accountancy, and it is worthy of note that the Council of the Institute has recently published, for the guidance of members, comprehensive notes on the business problems arising where the introduction of 'electronic data processing' – the use of a computer – is contemplated or is being explored. On a more prosaic level, it would not be going too far to attribute much of the enormous improvement in the standard of published accounts, to the series of recommendations which the Institute has, since 1942, been urging upon its members. The contents of the papers to be presented at this autumn meeting will be evidence of the Council's keen awareness of the changing conditions in the world of today.

In Less than a Century . . .

In terms of years of corporate life, the Institute, founded in 1880, may be young by comparison with, say, most of the City Livery Companies. But in less than a century it has firmly established on a sound basis, a tradition, a code of conduct, and methods of training and working, which are the equal of any of the older professions. Indeed, the Institute's Royal Charter may fairly be said to have given concrete and official recognition to a corporate entity which already existed, for it was only a few years later that its members found themselves welcomed by their brethren in other professions.

That the Institute, with its many new members, will become stronger and more vigorous is not to be doubted. That it is not resting on its laurels can be seen from the interest evinced in this meeting and from the measures which its Council and its component members are taking to ensure that the accountant of today and tomorrow, whether in private practice or in industry, will be the confident master of the new methods and techniques which our rapidly changing society is creating for itself.

Ladies and gentlemen, I bid you all a hearty welcome, and have great pleasure in declaring this autumn meeting open. (*Applause.*)

THE PRESIDENT'S ADDRESS

The following address was then given by the President of the Institute, Mr W. L. Barrows, LL.D., J.P., F.C.A.

It is most appropriate that the first autumn meeting to be held under the auspices of the London and District Society should be opened by The Rt. Hon. The Lord Mayor of London, accompanied by the Sheriffs. The Lord Mayor and Sheriffs of the City of London hold an unique position in the public life of this country and the Commonwealth and we have been greatly honoured by their presence.

As President of the Institute I extend to you all a warm welcome to the twenty-third autumn meeting. Many of you have attended these meetings in the past and will know the value of the friendships made and goodwill created. To those attending for the first time as a result of the successful outcome of the scheme to integrate The Society of Incorporated Accountants with the Institute I extend a special welcome.

The first and only meeting previously held in London was that after the First World War in October 1921. The late Mr William Cash presided and he was able to report that the membership had increased to the surprising figure of 5,343. I wonder what he would have had to say if he knew of our membership of over 31,000 today.

At that meeting the late Mr Ernest Cooper, who was President in 1899–1901, read a paper on 'Fifty-seven years in an accountant's office', and it is interesting for all of us to note that his great-nephew, Mr Henry Benson, is one of those who is to read a paper to us today.

It will not have escaped your notice that the theme of the papers to be delivered at the business sessions is 'The Future'. We are all looking forward to the addresses of three very distinguished members of the Institute.

Integration

The most outstanding event affecting the Institute since the last autumn meeting, held in Southport in 1955, is the scheme for the integration of The Society of Incorporated Accountants with the Institute, which became effective eleven months ago today, namely, November 2nd, 1957.

The Press announcement issued at that time stated:

> 'As a result of the schemes the three chartered institutes will comprise within their membership an overwhelming proportion of all accountants in public practice in the United Kingdom and the Republic of Ireland and of those who have obtained their qualification after practical experience in the offices of practising accountants in the United Kingdom and the Republic of Ireland.'

In the report of the Council for 1957 it was stated that 9,346 members of the Society had been admitted to membership of the Institute under the scheme. This number has now been increased to 10,031 comprising 8,188 fellows and associates and 1,843 incorporated accountant members. A total of 2,472 are in practice in England and Wales, 6,118 are not in practice and the remaining 1,441 are not resident in England and Wales.

The total admitted under the scheme is within 260 of the whole of the Society's membership after allowing for those who were already members of one of the three chartered institutes on the effective date and those who have since become members of the Scottish and Irish Institutes.

Membership and Problems Arising

With a membership now in excess of 31,000 the Institute has a tremendous responsibility for the future of the profession. The size of the membership of the Institute is merely indicative of the need for our services. Quality is not measured by size and we must constantly remind ourselves that our strength lies not in numbers but in our character, conduct and competence. The Institute will become bigger whether we like it or not; it will not become better without positive effort by each of us.

Nevertheless, size alone (particularly the increase from 20,000 to 31,000 in the space of a few months) is presenting difficult problems which need earnest consideration by the Council. These problems have added greatly to the task of managing the Institute's affairs at a time when that task was already becoming exceedingly onerous. It would not be unfair to compare the position with that of a practising member working to capacity and suddenly faced with a 50 per cent increase in clients, or with the position of an industrial business increasing its labour force from 1,000 to 1,500. In such circumstances policies and methods need to be reviewed.

The President.

Our most pressing problem, which needs to be solved before many others can effectively be considered, is that of accommodation. For some years we have had to endure increasing congestion at the Institute building in Moorgate Place but the growth in staff and work arising from integration has made it urgently necessary to put an end to makeshift measures. In the Council's last annual report reference was made to the unsatisfactory position and the dispersal of the staff that had become necessary. A committee has been actively pursuing the possibilities in regard to a new Institute building.

There will be many who regret that the Council had to decide to take steps to dispose of the Society's Hall on the Embankment but this was inevitable. We cannot contemplate, as a permanent arrangement, the division of our headquarters into two main buildings. The only other possibility was to retain the Society's Hall for some charitable purpose or amenity use but it is much too valuable an asset for The Institute of Chartered Accountants in England and Wales to show so little regard for financial prudence.

The volume of administrative work arising from

Backward Glance

TWELFTH AUTUMN MEETING, 1921

As has been stated elsewhere, the last autumn meeting to be held in London – the twelfth of the series – was in 1921, when the President of the Institute was the late Mr William Cash, F.C.A.

Reproduced below is an extract from a leading article which appeared in *The Accountant* of October 22nd, 1921.

The Autumnal Meeting of the Institute

THE Autumnal Meeting of the Institute of Chartered Accountants in England and Wales, which was held in London last week, was, as might indeed have been expected, in every way a great success. A full account of the proceedings appears elsewhere in this issue. The fact that it is eight years since the last Autumnal Meeting was held, and that in the meantime the Institute has passed its fortieth birthday, lent additional interest to the proceedings. The banquet on the 13th inst., at which over 600 guests were present, was, we believe, the largest function ever held by the Institute, and the fact that the Guildhall was lent for the occasion by the Lord Mayor and Corporation is an honour which is all the more to be appreciated, since it is rarely accorded. The country members thoroughly enjoyed the various entertainments provided for them, and those who were able to be present will, no doubt, look back with pleasure on a meeting which various circumstances combined to make unique in the annals of the Institute. We propose, in the present article, to discuss some of the more important points arising out of the Address of the President, Mr. WILLIAM CASH, F.C.A. . . .

It was natural that Mr. CASH should devote some little time to reviewing the progress that has been made by the Institute. That progress is, indeed, remarkable when we compare the membership of 5,343 on 31st December last with a membership of 948 on 31st December 1880. Even more significant from one point of view is the fact that some 90 per cent. of the existing members have passed the Final Examination of the Institute, while the very large number of articles that have been registered during the past two years shows that there is a general belief that accountancy is a desirable and advantageous profession to enter.

integration, both as regards members and students, has been stupendous. The great initial impact is now over and I have been amazed how the staff have managed to deal with it all. A unique operation of great importance has been carried through with very little friction and considerable speed and I pay tribute to all concerned. There are of course some respects, particularly in relation to students and examinations, in which much transitional work arising from integration will continue for many years.

Recruitment – Training and Education

In recent years the demand for boys and girls of a calibre suitable to become chartered accountants has greatly increased and, as is well known, industry, commerce and the State are offering remuneration and bait with which it is very difficult for our profession to compete.

Much time and thought have been given at Moorgate Place to this problem. A little has been accomplished but one of the greatest difficulties is to overcome the ignorance in the schools and universities of what we are and what we do. I earnestly appeal to you all, and particularly in the provinces, to become ambassadors of the profession.

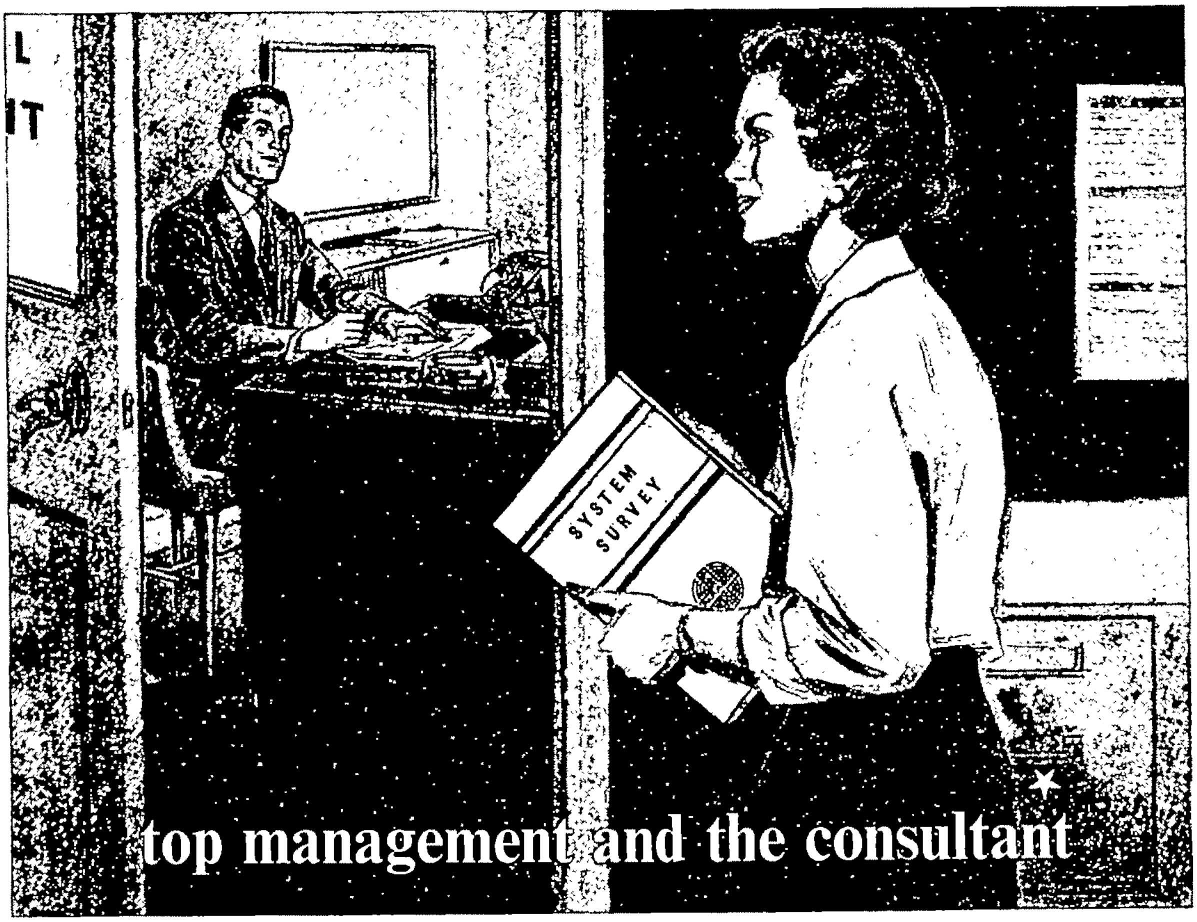
Our booklet *Why not become a Chartered Accountant?* distributed to all members, youth employment officers and public and grammar schools a year ago is, I believe, proving of some value and the district societies are doing very valuable work.

The offices of practising members in England and Wales are our training ground and in future our articled clerks will include, in addition to our normal recruitment, a substantial number of recruits who would have been articled clerks or bye-law candidates of the Society if there had been no integration. Some years must elapse before all the consequences of this major change can become evident. Meanwhile, this is clearly the time to embark on a comprehensive review of our arrangements and therefore the Council has appointed, as announced last August, a special committee, under the chairmanship of Mr W. E. Parker, with the following terms of reference:

> 'To consider the education and training appropriate for entrants to the profession, the existing arrangements and facilities therefor, and the changes, if any, which should be made so as to ensure the provision of an adequate supply of trained candidates suitable in all respects for admission to membership of the Institute; and to make recommendations.'

We must all feel grateful to Mr Parker for undertaking to act as chairman of one of the most important committees ever set up by the Institute. The terms of reference indicate the extensive nature of the inquiry, in which the committee has asked for the co-operation of members of the profession and representatives of other professions, of the universities and educational authorities, and of industry and commerce.

Our profession is essentially practical and that is why the Institute has always attached such great importance to articled service in the practising member's office. In recent years the universities in England and Wales have shown an increasing interest in accountancy and several of them now have Professors of Accounting. I believe that the profession and the universities can each benefit from closer contact, provided it is well understood that academic education in accountancy is more likely to be harmful than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beneficial unless those responsible for it live to the need for, and are capable of achiev a proper blending of the tangible and the intang. An ivory tower is a wasting asset.

Membership of Council

Since the last autumn meeting in Southport, three years ago, there have been great changes in the membership of the Council.

Seven Past Presidents have retired: Mr G. R. Freeman and Sir Nicholas Waterhouse, who were both members of the Council from 1915; Sir Harold M. Barton, Sir Bernhard H. Binder, Mr C. W. Boyce, Mr A. S. H. Dicker and the late Mr Gilbert D. Shepherd. The great man Gilbert Shepherd died in harness in June but the others are fortunately all fit and well. Members owe these leaders of the profession an immense debt for the work they have done over many years in maintaining and enhancing the reputation of our Institute.

There have been six other changes in the three years and, of course, the Council has had the pleasure of welcoming the ten additional members of the Council appointed under the Scheme of Integration. It will thus be seen that only thirty-two of the fifty-five present members of the Council have been in that position for over three years. In fact only seventeen members of the present Council were serving ten years ago and if we go back twenty years – which i just pre-war – there are only three.

These figures need to be emphasized because impression is that members generally do not reali the remarkable way in which the Council membershi undergoes a continuous process of change through retirements and deaths. Perhaps I may be permitted to mention here that the work of Council members is voluntary and I think members generally would be astonished if means could be found to illustrate how much service is given so freely on their behalf. I am tempted to suggest that the annual report might show the aggregate fees which would be charged for the year by Council members if the Institute were a chargeable client. The lady with the rudder and the scales must be the hardest mistress in all history.

Public Work of Members of the Institute

This is the occasion on which reference can be made with pride to the public work undertaken by members of the Institute. Many members have been appointed by Ministers to councils and committees of inquiry and it is impossible to make reference to them all. The outstanding services of Sir William Carrington in the field of taxation have happily been recognized. Sir Harold Howitt has become even more famous as one of 'The Three Wise Men' comprising 'The Council on Prices, Productivity and Incomes'. The Committee of Inquiry into 'Coal Distribution Costs in Great Britain', under the chairmanship of Sir Thomas Robson, has, as one would expect, produced a report which is a model of its kind and should be read by all who are interested in good English and fine drafting.

The examples I have mentioned are merely a few of the great many ways in which members of the Institute respond to requests to render public service not only in matters of national interest but also in local government and other civic affairs. The demand for the services of members in this way is a recognition of their ability, because of their training and experience, to examine a situation impartially and distinguish the significant from the insignificant. It is also a recognition of the fact that the objective of a great deal of our training is to teach us to express an honest opinion on the facts placed before us and to know what we need to do before we are in a position to express our opinion. Opportunities for public service are bound to increase and I hope that the ever-increasing burdens which we all seem to have to carry will not reduce unduly the number of members who are prepared to respond.

Relationship with Countries Overseas

A year ago, in September 1957, the Seventh International Congress of Accountants was held in Amsterdam. Some seventy accountancy bodies from forty countries were represented and this must surely be an encouraging reflection in these days of international tension. Such congresses provide ample evidence that throughout the free world the problems of the accountant are basically similar to those we know so well in this country. There could be no more forceful demonstration of the importance of maintaining the greatest freedom between accountants of all countries for the exchange of knowledge and experience. To a limited extent this can be achieved through friendly relations between accountancy bodies, but that is not enough. In the past the world development of the profession has been impelled and guided by the skill d devotion of the individuals who carry on the work he profession. If future development is to be ssisted in the same way it is essential that all countries should adopt a liberal attitude towards world freedom of practice rights for properly qualified accountants.

Our profession exists to provide essential services for industrial, commercial and financial enterprises wherever they may be carried on. These enterprises should not be hampered in their choice of accountants by artificial barriers based on nationality and other factors which are unrelated to the ability of the accountant to provide the service required. Your Council has repeatedly expressed its belief that the ideal arrangement is reciprocity, in all parts of the world, of the right to practise under the professional designation which the individual accountant has obtained by suitable training, experience and examination, without restrictions on the right to enter into partnership or agency arrangements with properly qualified accountants whatever may be their country of residence.

Throughout its history of nearly eighty years our Institute's regulations have been consistent with that belief. What we require of the would-be member is a good standard of general education, appropriate practical training under articles, integrity and the passing of our examinations. We are not concerned with the flag he salutes and when he becomes a member we do not place him under any disability in regard to practice rights merely because he or his partners reside in some other country.

In Amsterdam the Institute was represented by some 180 members, who are most grateful for the cordiality of their hosts in the Netherlands. Our representation was by far the largest of any body other than the Dutch sponsoring bodies and the strong interest thus shown by our members was in keeping with the part they have taken over the years in the development of the profession throughout the world.

It is our earnest hope that we shall not be prevented, by artificial barriers, from continuing to take part and assist in that development.

Considerations of time and expense will no doubt limit the size of the Institute's representation at the Eighth International Congress in New York in 1962. It is, however, most important that we should be represented in New York as well as is practicable, bearing in mind the great contribution which the Americans make to accounting thought and practice. Many of us will remember the wonderful support which they gave to the Sixth International Congress in London in 1952 and we value the friendships then formed.

Professional Topics

(a) *Economics of a practising accountant's office*

As a practising accountant in the provinces I have had painfully to face the fact that our income from fees has not been keeping pace with our rising costs. In the post-war years there has been a tremendous change in the social structure of this country and whatever our views about it may be it has brought about one result from which as practitioners we cannot escape, namely, that it now costs a great deal more to conduct our practices.

In our efforts to acquire and retain staff of the right calibre we are, as I indicated earlier, in competition with industry, commerce and the State. We cannot always match the terms offered by our competitors but even if one ventures into the field of benefits in kind no further than luncheon vouchers the addition to the annual expenses of even a medium-sized firm is a startling amount.

Moreover there used to be a generally-accepted division of responsibility whereby it was the duty of an articled clerk's principal to train him and the duty of his parents to maintain him. Nowadays we are expected to assume the dual responsibility. The inevitable result has been that the cost of training new qualified men has increased rapidly and the benefit of this goes in many cases to our clients, who have a habit (which I do not deplore) of engaging many of the best men we have trained. As Mr Benson points out in his paper for this meeting, specialization has come to stay but this costs money.

It is clear from inquiries which I have made that our clients as a whole have not appreciated how the impact of rising costs has hit the practitioner. Many of us dislike asking for more pay but the time has come when it is essential for fees to be raised substantially if the standing and work of the profession are not to deteriorate. You will remember that at the Institute's annual meeting this year the Council was obliged, for reasons explained in the annual report, to ask members to approve of substantial increases in the scale of membership subscriptions as from January 1st, 1959. In doing so the Council drew attention, *inter alia*, to the fact that since the previous revision of subscriptions eight years ago there has been an increase of about 45 per cent in price levels. Bearing this in mind, together with the fact that the major item of cost for a practising accountant is the remuneration of his staff, there can surely be no practical difficulty in demonstrating the position to our clients. When our clients' profits are declining they do not take kindly to any suggestion for increased fees, but we must overcome our natural reluctance to raise the matter.

(b) *Technical documents*

I had hoped that the new *Members' Handbook* would by now have been in the hands of members but unfortunately this has not proved possible. The distribution will take place during the present month. The contents will not be by any means complete for the initial issue but we shall proceed steadily with the issue of further sections as and when they are ready and perhaps the intervals will be useful in allowing a reasonable time for digestion.

When it is first issued one section of the handbook will contain the Council's recommendations on accounting principles. These include two new recommendations not previously published, number 18 on *Presentation of Balance Sheet and Profit and Loss Account* and number 19 on *Treatment of Income Tax in Accounts of Companies*. They are consolidations and developments of earlier recommendations which they now supersede. These are two documents of considerable importance which I recommend you to study carefully as soon as they are in your hands.

Recommendations 18 and 19 are two of the matters which the Council had in mind when it expressed the hope in the last annual report that the work done on a considerable number of technical subjects currently under consideration would lead to the publication of recommendations or other suitable statements during 1958. Another of the matters then in mind was the statement on *Accounting by Electronic Methods*, published last July. This, too, will appear in the new handbook when first issued but for the benefit of those who have an immediate interest in the subject it has also been available since July in the form of a booklet obtainable from the Institute at *2s 6d* per copy.

If all goes well there will be a steady flow of new technical documents and in the absence of special circumstances they will be distributed in the form of additional matter for insertion in the appropriate part of the handbook.

The present stockpile of unfinished documents is the result of a great deal of work over a period of some years, progress having been slowed down because of the overall volume of activity including the preparation and implementation of the integration scheme.

(c) *Research*

The Institute's Taxation and Research Committee is a hard-working body which receives very little publicity. Its membership is representative of the whole of England and Wales and of members in industry and commerce as well as of those in practice. Without the tremendous assistance of this committee it would not be possible for the Council to contemplate the issue of recommendations and other technical documents on the scale which has been achieved since the committee came into existence in 1942.

The committee is also responsible for the bulk of the drafting work on memoranda which the Council submits to government departments and special committees. As examples I would mention the rapid and detailed examination of the Finance Bill each year to enable the Council to make submissions to the Chancellor of the Exchequer; the memorandum submitted in February last year to the Board of Inland Revenue giving the Council's suggestions as to the order of priority for implementing the recommendations of the Royal Commission on Taxation of

Profits and Income; the memorandum submitted in 1956 to the Bankruptcy Law Amendment Committee and the evidence given to the Committee on Cheque Endorsement. These are merely examples. A glance through the annual reports for a number of years will show how much is owed to the Taxation and Research Committee.

I think we can properly regard our annual summer course as a form of research. Excellent papers are prepared and then thrown to the tender mercies of the discussion groups. It is impossible to attempt to describe what these discussions mean to those taking part. It is enough to say that they are without doubt of the greatest value in stimulating serious thought and enabling experiences to be exchanged by members from all parts of the country and in all kinds of occupations.

I have no hesitation in saying that the commencement of summer courses in 1947 and the formation of the Taxation and Research Committee in 1942, resulting in the issue of recommendations on accounting principles and other technical publications, have been by far the two most valuable steps taken by the Institute in establishing and implementing a policy of giving positive assistance to members in their task of maintaining, improving and extending the services provided by the profession.

(*d*) *Non-practising members*

Mr Fea in his paper will be making reference to the large number of members who are engaged in industry and commerce. I believe that the vast majority of these are not dissatisfied with the way in which the Council attends to their interests as members. The formation of the Non-practising Members Consultative Committee in November last under the Chairmanship of Mr L. C. Hawkins, a member of London Transport Executive, is however an important step in providing, as it does, another channel for those who may wish the Council to consider some particular problem affecting members in industry or commerce. Having sat on this committee I am confirmed in my opinion that basically a member of the Institute, whatever he does, is a member of the accountancy profession: his problems and interests are the same whether he is in industry or commerce or in practice. It is most appropriate that Mr C. W. Aston, the chairman of the autumn meeting committee, is a member of this new committee as a representative of those in commerce and industry.

District Societies

Integration has brought about a substantial increase in the membership of district societies and their branches. Their total membership at December 31st, 1957, was 9,253 and by May 31st, 1958, this had risen to 14,674, an increase of over 5,000. This increase has of course been on a voluntary basis as there is no 'automatic membership' of our district societies.

An increase in the number of branches and groups of district societies will, I think, be one of the results of integration, because some parts of the area of a district society will now have enough potential members to justify the formation of a branch or group. A noteworthy development in this respect is in the area of the London and District Society which has just established branches in the Luton and Oxford areas: there may be more to come. The Liverpool Society has seized upon the stroke of the pen by which for Institute purposes the Isle of Man became part of England and Wales on November 2nd, 1957. A branch of the Liverpool Society has been established there.

An association of members has been formed in Jersey and rumour has it that there was some competition among district societies in the South of England to act as the foster-parent. It is to be hoped that annual dinners of the association will be held at a reasonable time of the year – preferably when the President of the Institute is not too heavily committed elsewhere. These insular developments will not, I trust, give rise to any difficulties over fishing rights.

The development of district societies will be reflected in students' societies over which they exercise a parental influence, varying no doubt according to the parent and to the child. The number of articled clerks prior to integration was about 7,000: it now exceeds 10,000. Some of the smaller societies will find a useful addition to their membership making it possible for them to provide facilities not hitherto possible. All students' societies – and district societies too – should find this increase in membership a challenge to them: indeed in the largest societies problems of accommodation alone could bring embarrassment. There are today twenty-six students' societies, with signs of a new addition in Lincoln and South Lincolnshire. The number is bound to grow as a result of integration and this will provide more opportunity of making facilities available to groups of students in some parts of the country where the 'distant' student is still a problem.

The Accountant as a Director

The practice of one of the daily papers is to feature the names and qualifications of directors of public companies which are publishing their reports. This has brought into the limelight the fact that a large number of companies have a member or members of the Institute on the board of directors.

Some of our members make it a rule that no partner in the firm shall accept any directorship and this is entirely appropriate and desirable in the circumstances of some firms. In the circumstances of other firms, however, the acceptance of directorships may be wholly consistent with the partners' other responsibilities and no difficulty whatever may need to be envisaged in the shape of conflict of interest, or apparent conflict of interest, between the firm's functions as auditors of companies and those of its partners in their capacities as directors of other companies. My own view is that over a great area of industry and commerce, particularly in the small and medium-sized concerns, our practising members who act as directors are providing a service which business men need and demand.

I believe that by the very nature of his training and wide business experience a chartered accountant can be of real value to his colleagues on the board of a company when questions of policy have to be decided. It is up to us to create that atmosphere of confidence in our integrity and judgement which makes our views and opinions of value in the conduct of business enterprises. At the same time let us be humble and realize our limitations.

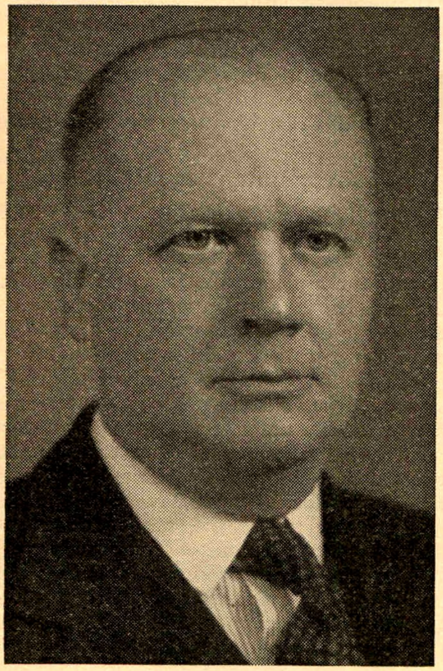
A vote of thanks to the President, proposed by Mr G. N. Hunter, J.P., F.C.A., of Leeds, was received with acclamation.

FIRST BUSINESS SESSION

At the business session held in the Royal Festival Hall on Thursday afternoon, two papers were presented: the first, on 'The future role of the accountant in practice', was by Mr H. A. Benson, C.B.E., F.C.A., a partner in Messrs Cooper Brothers & Co; the second paper, by Mr W. W. Fea, B.A., A.C.A., chief accountant, Guest, Keen & Nettlefolds Ltd, dealt with 'The future role of the accountant in industry'. Both speakers are members of the Council of the Institute.

THE PRACTISING ACCOUNTANT'S FUTURE ROLE

In his paper, Mr Benson pointed out that accountants first began to practise on any scale in the City of London from about the year 1830 or 1840. The total membership of all the accountancy bodies in the United Kingdom is now approximately 58,000, having risen to that figure from 34,000 in 1940. Today, therefore, the accountancy profession is amongst the largest of the recognized professions in the United Kingdom.



Mr H. A. Benson.

Until about 1880 the great bulk of an accountant's business was concerned with bankruptcy, liquidations and receiverships but in the last sixty years the strength of the profession has been based on the practice of auditing. Mr Benson believes that auditing will still continue to provide the backbone of an accountant's practice in the future but he thinks that there should be some radical changes in the next few years in the profession's approach to this subject. An auditor should devote much less time to routine verifications of the books and the detection of minor frauds by the company's officials. His task in the future should broadly fall under three heads. Firstly, to find out whether the accounts show a true and fair view and whether there has been disclosure of all the information which is necessary to enable shareholders and the investing public to understand the position; secondly, to prevent fraud or misrepresentation – though in this respect the character of the word 'fraud' has changed in that the emphasis is not on the detection of defalcations by the company's officials but on fraud by misrepresentation in the annual accounts; and thirdly, to ensure that management has effectively discharged its responsibilities to install a proper system of internal check. The need for an adequate system of internal check will be enhanced when electronic accounting is more widely used than at present.

The Auditor's Broadening Functions

As part of these changes Mr Benson believes that the auditor of the future must devote much greater attention to the verification of the existence and value of stock-in-trade and work in progress and he believes that it will become a routine practice of auditors in the future to watch the physical stocktaking carried out by the company's officials. Generally, he believes that the functions of an auditor are likely to be broadened with the result that the auditor should be in a position to discuss with the directors on the annual accounts, weaknesses in the system of internal check and to advise on such matters as the adequacy of the return on capital, the rate of stock turnover, the suitability of the costing system, improvements necessary in the system of stocktaking and stock control, wasteful expenditure, obvious weaknesses in administration and numerous similar subjects.

Apart from auditing, however, Mr Benson sees many other fields of activity open to the accountant. There is still considerable scope in assisting companies and individuals to obtain a fair assessment of their taxation liabilities, particularly in view of the increasing complexity of taxation legislation.

A Field Largely Unexplored

Another big field open to the professional accountant, which so far has been largely unexplored, is organization work, the three main aspects of which are: the physical methods by which financial transactions are recorded; costing in its widest sense; and the preparation and presentation of financial information to assist management. Organization, or management services as this subject is sometimes called, is a comparatively new subject which has only developed in recent years, but it is not putting it too extravagantly to say that it offers the greatest opportunity and challenge to the professional accountant which has been open to him for the past fifty years.

Mr Benson sees further scope for professional accountants in making independent investigations or special studies on particular subjects. He points out that the professional accountant's capacity to find out the facts and to present them fairly; to explode false arguments as the result of careful analysis; to suggest sound principles of administration, budgeting and finance; and generally to introduce a sense of realism into plans and forecasts make his work in this field invaluable. The business community is constantly seeking, and is having difficulty in finding, the advice and services of members of the profession who are prepared to undertake these responsibilities.

Need for Specialization

It is pointed out that in recent years there has been a considerable growth in the number of nationalized industries or semi-national undertakings and that this change in the social structure has clearly come to stay. Mr Benson believes that it would be advisable if professional accountants would, to a greater extent than is at present the case, serve on the boards of these undertakings. He further sees scope for an extension of an accountant's practice in share valuation work; in estate planning (in the sense of assisting clients on their estate duty position and the advisability of making provision for children and dependants); receiverships; secretarial and registration work.

Mr Benson believes that in the future the growth of the profession along the lines indicated in his paper will emphasize the need for specialization to a much greater extent than has been the case in the past. This will involve changes not only in the education of the profession before and after qualification but it may also lead to an increase in the size of professional firms of accountants in order that firms may be able to provide the wide range of expert services their clients need.

The Professional Accountant's Influence

Mr Benson pointed out that professional accountants collectively and individually wield a considerable influence and he believes that in two aspects this influence should be exercised now. Firstly, in finding sensible methods of accounting and of financial administration under inflationary conditions. He points out that the value of the pound has dropped from 20*s* in 1946 to 12*s* today but that few practical steps have been taken in the accounts of public companies to calculate what the effect of inflation has been or to provide for it as a charge against profits so as to ensure that the business is at least maintained and that its capital is not diminished. Secondly, he believes that professional accountants should exercise their influence in order that the information made available to shareholders and the public should be improved both as regards the simplification of the material included in the annual accounts and also by the inclusion of material in them (not at present required by statute) which discloses the position more fully. He also believes that, in many cases, public companies should publish interim statements during the currency of the financial year showing how they are progressing.

THE ACCOUNTANT'S FUTURE ROLE IN INDUSTRY

In the course of his paper Mr Fea estimated that there are some 10,000 chartered accountants employed in industry and commerce in the United Kingdom and that their number has quadrupled in the last twenty-five years.

In addition to the accounting and secretarial positions for which their training especially fits them, accountants are to be found in every type of administrative and executive post from chairman and managing director down. This successful penetration into the management field can only have arisen from the accountant possessing certain qualities that industry values highly. Such qualities include:

Mr W. W. Fea.

(1) Integrity, finding expression through independence of thought, objectivity, impartiality, accuracy and reliability.
(2) Technical competence, evidenced by an instinctive aptitude for figures ('the taste of the gourmet as well as the appetite and digestion of the gourmand'), analytical ability and a sound knowledge of accounting theory, principles and conventions.
(3) The ability to get on with people. This implies willingness to understand other people's point of view and to co-operate with them to find a practical solution to a problem. Moreover, accounting is a form of communication between human beings whose object it is to convey information and ideas to the recipient. In the centenary year of the birth of H. W. Fowler, the accountant should remember that the important things in the art of communication are clarity, brevity and vigour.

The Future of Industry

Turning to the future of industry itself, Mr Fea quoted various authoritative suggestions that by 1970 Great Britain would have doubled its production of energy, have increased national output by 60 per cent with steel production at 30 to 33 million tons per annum.

Apart from these rosy long-term prospects there are immediate problems for industry arising from the common market and free trade area movement, the activities of the Restrictive Practices Court and greater Government interference in industry, possibly accompanied by further public ownership.

Against this background of change, accompanied by sweeping technological developments, the accountant must keep himself up to date in the new administrative techniques of operational research, work study and electronic data processing. But he must never forget his primary duty of providing an efficient accounting service to management as an essential aid in the formulation of policy, planning and day-by-day control.

The Challenge of Inflation

It was suggested that research into management accounting techniques was a joint problem for accountants and managers and that such research might well be officially sponsored by national bodies representing management working with the Institute.

One particularly important subject for research was accounting for changing price levels. Still greater recognition of inflation as public enemy number one might well depend on the accountancy profession being able and willing to measure in published accounts the effect of changes in the value of the monetary unit. In any case internal management statements could be dangerously misleading if they failed to reflect such changes. A comprehensive but workable solution to the problem was urgently needed even if inflation had been slowed down.

Training Articled Clerks for Industry

Finally, Mr Fea made some suggestions about training articled clerks who intend to go into industry. They represented probably one-third of the total number of articled clerks and it was at least open to question whether the present system of training and the examination syllabus could not be made more appropriate to their ultimate future in industry. One line of approach might be to increase the period of articles from five years to six and from three years to four for graduates. It would be made obligatory for the additional year to be spent in industry with a further six months by mutual agreement. There should be a new form of articles which would be transferred, for the duration of the industrial service, from the name of the principal in practice to the name of an industrial chartered accountant to whom the articled clerk would be bound. This would ensure proper supervision and recognize the importance of a continuing personal relationship between principal and articled clerk.

Such a step would require acceptance of responsibility for training future industrial accountants by those accountants already established in industry and this is in itself most desirable. In addition, support for the scheme would have to be obtained from boards of directors and management. This should not be difficult in view of the growing recognition in industry of the importance of training younger technicians of all types and even managers themselves.

If these proposals were adopted it would also be necessary to alter the examination syllabus for the new type articled clerk by reducing or eliminating questions on subjects only relevant to practising officers, such as executorship law and accounts, trust accounts, partnership accounts and the law in relation to liquidations, bankruptcies and receiverships. In their place there would be more questions on industrial practices, management accounting and business problems.

Mr Fea concluded by saying that the ultimate aim of recruitment and training policy must be 'to insure a flow of new entrants into the profession of sufficient quantity and adequate quality to meet the combined demands of industry and the practitioner's office. Only then will the accountant be assured of his rightful place in the van of industrial progress'.

At the conclusion of the afternoon session a vote of thanks to both speakers was proposed by Mr Stanley Kitchen, F.C.A., of Birmingham.

SERVICE IN ST PAUL'S CATHEDRAL

At the service in St Paul's Cathedral on Thursday morning the lesson was read by the President and the sermon was delivered by the Rt. Rev. and Rt. Hon. J. W. C. Wand, P.C., K.C.V.O., D.D., sometime Bishop of London.

The Conference Sermon

Dr Wand took as his text 'Walk worthy of God, who hath called you into His kingdom and glory'; he said:

How near is heaven? I imagine it seemed fairly near in the old days, when people thought of a three-storied universe with hell in the basement and heaven in the first storey. But today, when we send sputniks outside the earth's orbit and we have discovered space to be illimitable, heaven does not seem so near. That of course is because we are accustomed to think of heaven as a place; whereas it is more a state than a place. Perhaps we should think of it as a region inhabited by thoughts rather than by material bodies. Then we shall perhaps realize more definitely that heaven may actually permeate the earthly sphere in which we live. Browning affirmed that 'Earth's crammed with heaven and every common bush afire with God'. This week while we are still keeping the Michaelmas festival we may even think of the angelic presences being all around us.

'The angels keep their ancient places.
  Turn but a stone and start a wing.
'Tis we, 'tis our estrangéd faces
  That miss the many-splendoured thing.'

This morning then let us turn our estrangéd faces and see how near we can be to heaven, even in this mundane sphere.

First we can have heaven in our homes. That, surely, is the lesson of the incarnation. I once heard Evangeline Booth describe christianity as 'a coming-down religion'. If the eternal word of God became incarnate then God himself has entered into the sphere of human life. The gulf between heaven and earth has been bridged and they are no longer foreign to each other.

We can realize this with a special strength at this time of year when we are already beginning to look forward to Christmas. Then, if at any time, we can feel the nearness of heaven in our homes. We shall be thinking of the Christ Child and of the way in which the agent by whom the universe was made came into our midst and lay, a helpless babe, in a manger. We think too of our own children and of the joy we can make for them in our homes. When we cease to think of ourselves and think only of what we can do for others and of the way in which we can knit them with

Christ, then indeed heaven does seem to be all about us.

Secondly, we can – strange as it seems – find heaven in our work. Work is not a curse; as some people have suggested, under a mistaken impression that they are interpreting Genesis and the story of man's fall. Work is a characteristic of God. So Jews and Christians have always thought. We are not like the pagans who set their gods at ease on Olympus. We think of God as creating the universe and then sustaining it.

The power that keeps order in this vast universe must have the capacity of a supreme mathematician. The exactitude with which everything works proclaims a mind that abhors chaos and loves order. In so far as we ourselves try to establish adequate organization in our environment, then we are not only imitating Him but realizing how close we are to His abode. Your own motto, 'Recte Numerare', proclaims that this is your own ideal. As indeed you organize accounts correctly you are reflecting a main characteristic of the founder of the universe, and are establishing yourselves – consciously or unconsciously – in His presence.

Thirdly, we can find something of heaven in human character. It is true that we are all prone to sin and that there is a taint from which we all suffer. Nevertheless it is sometimes surprising how much good we can find in human nature. I suppose that you in your own particular work must sometimes grow cynical about this, particularly when you have to keep a close watch upon expense accounts! Has it ever occurred to you that St Paul was a person who *refused* to have an expense account? He would not accept even the hospitality of the people whom he sought to evangelize, as we have heard in the lesson. He laboured day and night simply because he would not be chargeable to any of them. There really are people like that who work not merely for what they can get out of their work but in order that they may be of some real service to God and their fellow-men.

Paul no doubt felt that he was in this respect following the example of his Master, and it did help him to realize that amid all the disappointments and frustrations of his pastoral career he was nevertheless bringing heaven within the reach of those to whom he ministered. I suppose it hardly occurred to him that, being the man he was, he revealed something of the character of heaven in his own life. You and I no doubt can recognize the same ideal character in some of the people among whom we live and work. Dean Inge used to say that if ever he were tempted to give up the christian faith he would be prevented from doing so by his recollection of the christian character displayed in the saints of God.

Here then is the lesson for us. If our eyes are only open we shall see the evidences of heaven about us in our homes, in our work and in the character of our friends. It is a challenge to us to remember that *our* citizenship is in heaven and that our lives should reflect the place to which we belong. God has called us here and now into His Kingdom and glory: let us quietly and thankfully endeavour to walk worthy of our calling.

During the service a collection was taken for the Chartered Accountants' Benevolent Association.

A report of the subsequent proceedings of the conference, with photographs, will appear in next week's issue of *The Accountant.*

Notes and Notices

CLASSIFIED ADVERTISEMENTS

Reduced Rates for Three or more Consecutive Insertions

We have pleasure in announcing that, as from the date of this issue, classified advertisements in *The Accountant* submitted for three or more consecutive insertions will be accepted at reduced rates. Examples of the new rates based on minimum charge advertisements (i.e. of five lines or thirty words) are as follows:

	s	*d*	
Situations Vacant			
One or two insertions (minimum five lines)	25	0	per insertion
Each extra line	5	0	,,
Three or more consecutive insertions (minimum five lines)	17	6	,,
Each extra line	3	6	,,
Situations Wanted			
One or two insertions (minimum five lines)	17	6	per insertion
Each extra line	3	6	,,
Three or more consecutive insertions (minimum five lines)	12	6	,,
Each extra line	2	6	,,

While, therefore, two insertions of a minimum advertisement under situations vacant will cost £2 10*s*, three insertions will cost only £2 12*s* 6*d*.

The box number charge remains unchanged, i.e. 3*s* for one insertion; 1*s* 6*d* for each subsequent insertion.

Full details of the new charges are in the 'Tariff for Classified Advertisements' on page xviii of this issue.

Late Fee Advertisements

We are also glad to announce that classified advertisements will, in future, be accepted for publication in the same week's issue up to 11 a.m. on Tuesday, subject to payment of a late fee in respect of those received after 10.30 a.m. on Monday.

The 'late fee' advertisements will appear in a special column reserved for the purpose, and they will be classified under the appropriate heading in subsequent issues if inserted in more than one issue. 'Late fee' advertisements will be accepted by telephone by our Advertisement Department (National 0087) and details of the service appears on page xvii of this issue.

LUNCHEON AT THE HALL OF THE INSTITUTE

The President, Mr W. L. Barrows, LL.D., J.P., F.C.A., the Vice-President, Mr C. U. Peat, M.C., M.A., F.C.A., and memb[illegible] the Council of The Institute of Charter[illegible]ants in England and Wales gave a lunche[illegible]day at the Hall of the Institute.

Among the guests were the Lord Mayor of London, Sir Denis Truscott, Mr Alderman and Sheriff Ralph E. Perring, Major Stanley W. Wells (Chief Commoner), Sir Irving Gane (City Chamberlain), Mr W. E. Sykes, M.C., J.P., F.C.A. (Chairman, Coal and Corn and Finance Committee), Mr Leslie B. Prince, M.A., F.C.A. (Chairman, Rates Finance Committee), Mr Paul C. Davie (Remembrancer), Mr R. S. Walker (City Surveyor), Mr H. A. Mealand (City Planning Officer), Brigadier R. F. S. Gooch (Secretary to the Lord Mayor), Commander J. R. Poland (Sword-bearer), Colonel J. Hulme Taylor (Common Cryer and Serjeant-at-Arms) and Captain G. M. Bennett (City Marshal).

PERSONAL

Mr James Reynolds, F.C.A., of 3 Great James Street, Bedford Row, London, WC1, announces that as from Monday, September 29th, 1958, his address will be 1 Middle Temple Lane, London, EC4. Telephone: City 6079.

Messrs Duck, Mansfield & Co, Chartered Accountants, announce that Mr L. G. Mansfield, F.C.A., is retiring from the firm after thirty-five years in the partnership and fifty-two years in the City of London; he will continue to be available to clients in a consultative capacity. They also announce that as from October 1st, they have changed their address from 66 Broad Street Avenue, London, EC2 to 10 New Court, Lincoln's Inn, WC2, on the amalgamation of the practice with that of Messrs Ridley, Heslop & Sainer.

Messrs Price Waterhouse, Peat & Co, Middle East firm, announce that they have opened an office in Aden at Maalla House, P.O. Box 360. The resident manager will be Mr R. A. Glen, A.A.C.C.A.

Messrs Morison Rutherford & Co, Chartered Accountants, of 20 Eastcheap, London, EC3, announce that as from September 30th, 1958, Mr P. R. Rutherford, F.C.A., and Mr R. G. Pye, F.C.A., have retired from the partnership. Mr Rutherford was one of the founders of the firm and had been in practice for fifty years, and Mr Pye, who had practised for forty-six years, joined the firm in 1943. The practice will be carried on by the remaining partners.

Messrs Barnes, Dunn & Boughton, Chartered Accountants, of Balfour House, Finsbury Pavement, London, EC2, announce that after nearly fifty-two years' service with the firm, Mr Robert Cecil Barnes, F.C.A., their senior partner, retired as from September 30th. Mr Barnes will be available to assist the continuing partners in the capacity of consultant. The name of the firm will remain unchanged.

Messrs Arthur J. Smith & Co, Chartered Accountants, announce that they have removed their offices from 246 Kew Road, Richmond, Surrey, to 8 Kew Road, Richmond, Surrey. The telephone numbers, Richmond 0313 and 6364 remain unchanged.

Messrs Portlock & Co, Chartered Accountants, of 8 Staple Inn, Holborn, London, WC1, announce that as from October 1st Mr I. M. Boyd, A.C.A., who has been in their employment upwards of ten years, has been admitted as a partner. The style of the firm will remain unchanged.

Messrs Littlejohn, Wilson, McKnight & Co, Chartered Accountants, of 15 Cullum Street, London, EC3, announce that Mr Peter Bruce Milne, A.C.A., has been admitted to partnership as from October 1st, 1958.

Messrs Smallfield, Rawlins & Co, Chartered Accountants, of 116 Cannon Street, London, EC4, announce that Mr F. N. Trew, A.C.A., has been admitted into partnership as from October 1st, 1958. The name of the firm will remain unchanged.

Messrs Cooper Brothers & Co and Coopers & Lybrand announce that as from October 1st, 1958, they have taken into partnership in Liverpool, Mr Julius Bernard Martin, A.C.A., and in Manchester, Mr Alexander Victor John More, A.C.A.

Messrs Hunter, Smith & Earle, of Trinidad, B.W.I., announce the retirement, on September 30th, 1958, of their London partner, Mr S. H. Smith, F.C.A., Mr G. W. A. Smith, A.C.A., who has been associated with the firm for several years, has been admitted to partnership as from October 1st, 1958. The practice in Trinidad and the West Indies will be continued under the same firm name as heretofore. On the same date Mr S. H. Smith retired from the firm of Hunter, Smith & Earle, Venezuela.

PROFESSIONAL NOTES

Mr C. L. Walker, F.C.A., has been appointed a director of Brough, Nicholson & Hall, Ltd.

Colonel T. F. Hood, O.B.E., T.D., D.L., J.P., F.C.A., has been appointed a member of a Bristol local committee formed by Lloyds Bank Ltd.

Mr S. S. Gibbins, F.C.A., has been elected chairman of Energen Foods Co Ltd.

Mr I. V. Cummings, F.C.A., has been elected a director of Goodworths Ltd, and Mr L. Lever, A.C.A., has been appointed secretary of the company.

Mr W. H. Sharland, A.C.A., has been appointed deputy chairman of Powell Duffryn Ltd. Mr Raymond Courtney Saloway, A.C.A., has been appointed a director of the company.

Mr A. F. Thomas, A.C.A., has been appointed to the board of James Booth & Co Ltd.

Mr F. J. Hayward, B.COM., A.C.A., formerly accountant of the Southern Counties Car Finance Corporation, has been appointed secretary of the company.

Mr Eric Holt, F.A.C.C.A., A.C.I.S., has been appointed controller of finance of the Dunlop Group of companies. He will be succeeded in his former post as group chief accountant by Mr G. P. Slater, B.SC. (ECON.), F.C.W.A., at present chief accountant at Fort Dunlop, Birmingham.

JOHN FOORD & COMPANY
56 VICTORIA STREET, LONDON, S.W.1
Telephone: Victoria 2002 (3 lines)
RE-V[illegible]ATION OF ASSETS
WO[illegible]IES, PLANT & MACHINERY, Etc.

OBITUARY

David Simpson Carson, O.B.E.(Mil.), D.S.O., C.A.

We have learned with regret of the recent death of Mr David Simpson Carson, O.B.E.(MIL.), D.S.O., C.A., who was senior partner in the firm of Moores, Carson & Watson, Chartered Accountants, of Glasgow. Mr Carson was admitted a member of the former Institute of Accountants and Actuaries in Glasgow in 1904. He joined his firm in 1906 and became senior partner about twenty years ago.

Mr Carson, who was 79 years of age, served in the South African War and the First World War, during which he was awarded the O.B.E. (Military Division) and the D.S.O. He was a former honorary treasurer of the Cameronians Club, Glasgow.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 6 p.m., on Monday next, October 6th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be Matthew vi. 9–13 (The Lord's Prayer).

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Taxation and Research Committee

The ninety-eighth meeting of the Taxation and Research Committee was held at the Institute on Thursday, September 18th, 1958, at 2 p.m.

Present: Mr S. Dixon (in the chair); Messrs R. D. R. Bateman, M.B.E., A. Blackburn, W. R. Carter, R. A. Chermside, J. B. L. Clark, C.B.E., L. H. Clark, H. O. H. Coulson, A. R. English, F. J. Eves, E. S. Foden, C. R. P. Goodwin, G. G. G. Goult, N. B. Hart, O.B.E., W. S. Hayes, G. N. Hunter, J. A. Jackson, S. Kitchen, E. N. Macdonald, D.F.C., R. P. Matthews, G. P. Morgan-Jones, A. H. Proud, J. D. Reekie, D. W. Robertson, A. G. Thomas, L. W. Underwood, D. T. Veale, J. W. Walkden, F. J. Weeks, E. K. Wright and G. H. Yarnell, with the Secretary.

Standing Sub-Committees

Reports were received from the following standing sub-committees:

General Advisory Sub-Committee.
Management Accounting Sub-Committee.
Taxation Sub-Committee.
Planning Sub-Committee.

Ad hoc *Sub-Committees*

Reports were received from three special sub-committees.

Mr Thomas Fleming Birch

The Committee recorded its great appreciation of the work of Mr T. Fleming Birch as Chairman of the Committee for the year 1954–55, as Vice-Chairman for 1953–54, as a member since 1944, and as chairman and member of many sub-committees.

Membership

The following appointments to membership of the committee for the year commencing October 1st, 1958, were reported:

Nominated by the Council:

Messrs L. H. Clark, F.C.A., H. O. H. Coulson, F.C.A., S. M. Duncan, F.C.A., W. F. Edwards, A.C.A., A. R. English, A.C.A., W. S. Hayes, A.C.A., G. P. Morgan-Jones, M.A., F.C.A., L. Pells, M.A., F.C.A., D. W. Robertson, F.C.A., W. G. A. Russell, F.C.A., A. E. Spicer, B.A., F.C.A.

Nominated by District Societies' Committees:

Birmingham: Messrs S. Kitchen, F.C.A., and D. E. T. Tanfield, F.C.A.
Bristol: Messrs R. A. Chermside, F.C.A., and F. J. Weeks, A.C.A.
East Anglia: Messrs F. J. Eves, F.C.A., and G. G. G. Goult, F.C.A.
Hull: Messrs F. S. Mowforth, F.C.A., and H. C. Shaw, A.C.A.
Leeds: Messrs D. Steele, F.C.A., and D. T. Veale, M.A., F.C.A.
Leicester: Messrs J. D. Reekie, M.A., A.C.A., and J. W. Walkden, F.C.A.
Liverpool: Messrs E. N. Macdonald, D.F.C., F.C.A., and C. J. Peyton, A.C.A.
London: Messrs C. W. Aston, A.C.A., C. V. Best, F.C.A., J. A. Jackson, F.C.A., J. A. B. Keeling, D.F.C., M.A., A.C.A., R. P. Matthews, B.COM., F.C.A., and E. K. Wright, M.A., F.C.A.
Manchester: Messrs W. R. Carter, M.A., F.C.A., and C. F. Millard, B.A.(COM.), A.C.A.
Northern: Messrs H. Kirton, A.C.A., and A. Whittaker, F.C.A.
Nottingham: Messrs K. A. Buxton, F.C.A., and J. S. F. Hill, F.C.A.
Sheffield: Messrs A. G. Thomas, F.C.A., and T. S. Welch, A.C.A.
South Eastern: Messrs C. R. P. Goodwin, F.C.A., and G. H. Yarnell, F.C.A.
South Wales: Messrs R. P. Brown, A.C.A., and E. S. Foden, F.C.A.

The following members were co-opted for the year commencing October 1st, 1958:

Messrs R. D. R. Bateman, M.B.E., A.C.A., A. Blackburn, A.C.A., J. Cartner, A.C.A., J. B. L. Clark, C.B.E., A.C.A., N. B. Hart, O.B.E., T.D., M.A., LL.B., F.C.A., G. N. Hunter, F.C.A., A. H. Proud, A.C.A., H. Eden Smith, A.C.A.

Standing Sub-Committees

The following members were appointed to standing sub-committees for the year commencing October 1st, 1958:

General Advisory Sub-Committee: The Chairman and Vice-Chairman of the Taxation and Research Committee (*ex-officio*), Messrs R. D. R. Bateman, A. Blackburn, R. P. Brown, K. A. Buxton, H. O. H. Coulson, S. M. Duncan, F. J. Eves, J. S. F. Hill, G. N. Hunter, J. A. B. Keeling, R. P. Matthews, C. F. Millard, F. S. Mowforth, D. W. Robertson, A. E. Spicer, A. G. Thomas, D. T. Veale, A. Whittaker, G. H. Yarnell.

Management Accounting Sub-Committee: The Chairman and Vice-Chairman of the Taxation and Research Committee (*ex-officio*), Messrs C. V. Best, J. Cartner, J. B. L. Clark, H. O. H. Coulson, W. F. Edwards, C. R. P. Goodwin, G. G. G. Goult, W. S. Hayes, H. Kirton, C. J. Peyton,

MOTOR — FIRE — CONSEQUENTIAL LOSS
MOTOR UNION INSURANCE COMPANY LTD
10 ST JAMES'S STREET, LONDON, SW1

J. D. Reekie, H. C. Shaw, H. Eden Smith, D. E. T. Tanfield, F. J. Weeks, T. S. Welch. *Recommended for co-option:* Messrs F. C. de Paula, J. D. Green, J. B. Prentice.

Taxation Sub-Committee: The Chairman and Vice-Chairman of the Taxation and Research Committeee (*ex-officio*), Messrs C. W. Aston, W. R. Carter, J. Cartner, R. A. Chermside, L. H. Clark, A. R. English, E. S. Foden, G. G. G. Goult, N. B. Hart, J. A. Jackson, S. Kitchen, E. N. Macdonald, G. P. Morgan-Jones, L. Pells, A. H. Proud, W. G. A. Russell, D. Steele, J. W. Walkden, E. K. Wright. *Recommended for co-option:* Messrs J. E. Talbot, G. H. Vieler.

Chairman and Vice-Chairman

Mr E. N. Macdonald, D.F.C., F.C.A., and Mr A. H. Proud, A.C.A., were unanimously appointed Chairman and Vice-Chairman respectively of the Taxation and Research Committee for the year commencing October 1st, 1958.

Mr Stanley Dixon

A hearty vote of thanks was accorded to Mr Stanley Dixon for his services as Chairman of the Committee during the year 1957–58.

Future Meetings

The next meeting of the Committee was fixed for Thursday, October 16th, 1958, at 2 p.m. A meeting will also be held on Thursday, December 18th, 1958, at 2 p.m.

DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

The following officers of the Dublin Society of Chartered Accountants have been elected for 1958–59:

Chairman: Mr Niall Crowley, F.C.A.

Vice-Chairman: Mr J. Love, F.C.A.

Committee: Messrs M. Bell, F.C.A., L. G. Chance, F.C.A., M. M. Connor, A.C.A., D. F. R. Crofton, A. E. Dawson, F.C.A., J. F. Dempsey, A.C.A., P. A. Duggan, F.C.A., P. P. English, A.C.A., N. V. Hogan, F.C.A., R. A. Kidney, F.C.A., G. F. Klingner, F.C.A., J. Lowe, A.C.A., W. J. McHugh, F.C.A., R. I. Morrison, F.C.A., H. W. Robinson, F.C.A., J. H. Sedgwick, A.C.A., C. G. Walker, A.C.A., D. McC. Watson, F.C.A., F. C. Winkelmann, A.C.A.

Hon. Secretary: Mr R. R. Caldwell, A.C.A., 7 Fitzwilliam Place, Dublin.

Hon. Treasurer: Mr R. I. Morrison, F.C.A.

Assistant Secretary and Librarian: Miss E. A. K. Jenkins, 7 Fitzwilliam Place, Dublin.

INDUSTRIAL AND ADMINISTRATIVE GROUP

The new officers of the Society's Industrial and Administrative Group for 1958–59 are as follows:

Chairman: Mr F. C. Winkelmann, A.C.A.

Committee: Messrs R. R. Caldwell, A.C.A., E. J. Carroll, A.C.A., M. M. Connor, A.C.A., J. F. Dempsey, A.C.A., P. P. English, A.C.A., E. A. Grace, A.C.A., J. H. Sedgwick, A.C.A.

Hon. Secretary: Mr P. P. English, A.C.A.

STUDENTS' GROUP

The officers of the Students' Group for 1958–59 are:

Chairman: Mr R. I. Morrison, F.C.A.

Committee: Messrs D. F. R. Crofton, T. F. J. Cullen, G. Donworth, F. Lowe, J. Lowe, A.C.A., R. O'Dowd, B. O'Rourke, D. W. Passmore.

Hon. Secretary: Mr D. F. R. Crofton.

BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The 1958–59 session of the Birmingham and District Society of Chartered Accountants commences on Thursday, October 16th, with a talk on 'Minority interests in private companies', at Regent House, St Philip's Place, Colmore Row, Birmingham. Other meetings have been arranged as follows:

November 4th: Luncheon meeting at *The Imperial Hotel.* Guest speaker: Detective Chief Inspector Hinson, on 'Twisted talent'.

November 25th: 'Surtax on controlled companies', by Mr John E. Talbot, F.C.A.

December 16th: 'Helping management to help itself', by Mr Christopher I. Bostock, M.A., F.C.A.

January 14th, 1959: Open discussion with H.M. Inspector of Taxes at *The Queen's Hotel.*

February 11th: 'Developments in pensions for the self-employed', by Messrs John Sherren and A. C. Snowden.

March 12th: Annual dinner at *The Grand Hotel.*

Tea will be served from 5.15 p.m. onwards to members obtaining tickets in advance of each meeting from the Chartered Accountants' Library, 36 Cannon Street, Birmingham, 2. Except where otherwise indicated meetings will be held at Regent House.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

The following meetings of the London Students' Society will be held during next week:

Monday, 12.30 p.m., at Incorporated Accountants' Hall: Lunch-time meeting with members of the committee.

Tuesday, Whole-day course lectures on: 'Income taxation in a family business', by Mr J. D. Wells, A.C.A.; 'The economics of the small business', by Mr B. S. Yamey, B.COM., Reader in Economics, University of London; 'Executorship law', by Mr A. J. Whiteside, M.A., Barrister-at-Law; 'Estate duty and the family business', by Mr H. D. Bessemer, B.A., F.C.A.

5 p.m. in Guildhall: President's meeting; address on 'Looking after the country's money', by Sir Alexander Johnston, K.B.E., C.B., Chairman, Board of Inland Revenue. The Lord Mayor of London will be present. Chairman: Mr W. E. Parker, C.B.E., F.C.A., President of the Society.

Thursday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lecture on 'The chartered accountant's profession', by Mr R. J. Carter, B.COM., F.C.A.

Friday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lectures on 'The fundamentals of business', by Mr R. J. Carter, B.COM., F.C.A., and on 'The English judicial system', by Mr P. W. Medd, Barrister-at-Law.

Friday, 7 p.m., at Chelmsford: Mock Tax Appeal under the direction of Mr H. W. May, M.A., F.C.A.

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Tax Reform

TAX reform has ever been a cause near to our heart. It can never have had a more persuasive advocate than SIR WILLIAM CARRINGTON who presented a paper on 'The progress of tax reform' to the autumn meeting of the English Institute held in London last week. We publish a summary of this paper on another page and hope to reproduce it in full in a subsequent issue.

The paper is a compound of three main ingredients; a close and illuminating study of historical origins, a mastery of the present law and practice, and a lively and critical study of possible reforms. SIR WILLIAM was a member of the Royal Commission on Taxation, as well as of the two Millard Tucker committees, and probably no one is better qualified to speak on this topic.

On the historical side the paper gives ADDINGTON his proper due as the real founder of income tax; too often the palm is given to PITT whose role is shown in the paper as having been a very subordinate one. The chequered history of such matters as depreciation, loss reliefs, basis of assessment, and Schedule E expenses are briefly outlined, for their appreciation is essential to an adequate grasp of the present law, as well as being an interesting study in themselves. The rise in the incidence and complexity of estate duty is illustrated by the fact that this incubus had its origins in a mere five-shilling stamp duty on probates of wills.

In the sphere of income tax SIR WILLIAM pointed out that the rules for computing business profits were devised at a time when income tax was looked upon as an ephemeral wartime expedient which looked to current cash profits for a contribution to war expenses, rather than to a scientific assessment of real profit on the long-term view. Accordingly, insufficient attention was given to the burden of depreciation with the result that local tax commissioners, being men of common sense, were giving depreciation allowances for machinery years before statutory sanction was given for them. SIR WILLIAM drew attention to a passage in the Budget speech of 1944 which deserves to be much more widely known and quoted, especially by present and future Chancellors. LORD WAVERLEY, as he was to become, said that profits for tax purposes should be struck only after making all proper deductions and allowances 'especially adequate allowances such as might be made on a commercial basis for the amortization of money expended on assets which are used up in the making of profits'.

That was fourteen years ago, but amortization allowances are still not given on the cost of acquiring commercial buildings or mineral rights. It is surely not too early to implement these wartime promises. SIR WILLIAM did not mention post-war credits, for these are neither a part of the present tax system nor, it is hoped, of any proposals for the future, but the failure to redeem them in any but a minority of cases is symptomatic of official inertia to indisputable claims for abstract justice.

Besides failing to improve, taxation can actually deteriorate. On the judicial side SIR WILLIAM dealt forcefully with the remarkable decision of the House of Lords in *Sharkey v. Wernher* (34 A.T.C. 263), under which goods taken out of stock are to be credited at market value, while closing stock of a particular year is still credited at the lower of market value or cost. He was equally forthright on the decision in *British Transport Commission v. Gourley* (34 A.T.C. 305), pointing out that under that decision it was cheaper to maim a rich man than a poor man. Whatever the legal justification, the principle enshrined in the decision was indefensible on moral grounds.

On the legislative side SIR WILLIAM pointed to the frequently needless complexities introduced by modern statutes. Not only were the baffling provisions of the Finance Act, 1940, allowed to remain on the statute book, but they were even reinforced by such provisions as those introduced in 1957 in relation to *inter vivos* gifts, where a single section covers five pages. Neither of these changes in statute law was introduced as a reform in any real sense: they were directed to closing loopholes of which only a small minority were taking advantage. Any move to reform which is directed to relieving a minority of hardship meets with considerable resistance. SIR WILLIAM began his account of the relief for intra-group subvention payments with these words:

> 'A comparison of the history of professional thought and techniques in regard to group accounts with the long-delayed acknowledgment in the sphere of income tax of the economic unity of a holding company and its subsidiaries illustrates the cautious approach to new ideas that seems to hold sway within that edifice in the Strand whose portals for so long bore the inscription "Dead Slow".'

Now there is a great deal of difference between on the one hand informed advocacy of tax changes based on a comprehensive study of the problem, and on the other hand the special pleading for minority reliefs based on self-interest. Much has been said in the immediate past on the claims of industry and traders to depreciation allowances on replacement value instead of historical cost, to allow for the fall in the value of money and the increasing complexity of modern plant and equipment. These claims rarely pay sufficient, if any, attention to the fact that the purchases of such plant and equipment are often largely financed with borrowed money or with shares having no interest in the equity. It is the owners of such capital who are the real victims of inflation. SIR WILLIAM said that apart from the enormous practical difficulties of a departure from historical cost as a yardstick in arriving at depreciation allowances, the proprietors of businesses would be receiving a tax allowance for the decline in the real value of securities held by the investors who had financed them. He added that although he did not favour a capital gains tax on general principles, such a tax must be a corollary to a system of depreciation allowances based on replacement costs.

Having begun his paper with the observation that there were no good taxes; and having defined 'reform' as including the abolition of unnecessary complications and anomalies, SIR WILLIAM naturally showed little sympathy with the advocates of still more taxes. On the suggested 'expenditure tax' he preferred to tax luxuries as such, instead of having an annual inquisition into what every person had spent.

Perhaps the most enjoyable part of the paper was at the end, with its incisive comments on the suggestion of an annual tax on wealth. He pointed out how many man-hours were already spent by accountants on agreeing asset values for estate duty purposes. This gave an idea of how Inland Revenue staff would increase, and accountants' arrears of work would pile up, if this became an annual affair.

Great as is this country's experience and prestige in the matter of successful tax administration, it would be provincial to approach its problems purely by reference to home taxes, particularly in these days of increasing international co-operation of which double tax agreements are only one aspect. SIR WILLIAM ha annexed to his paper some appendices on some relevant taxes in Australia, New Zealand and the United States. We can still learn from others.

Assurance Policy Moneys–I

MORE ESTATE DUTY CASES

by **SPENCER G. MAURICE**

PARAGRAPHS (*c*) and (*d*) of Section 2 (1) of the Finance Act, 1894, specify two items of property which are deemed to be included in property passing on a death, although they do not, in fact, so pass. Paragraph (*c*) relates to:

> 'Property which would be required on the death of the deceased to be included in an account under Section 38 of the Customs and Inland Revenue Act, 1881, as amended by Section 11 of the Customs and Inland Revenue Act, 1889, if those sections were herein enacted and extended to real property as well as personal property, and the words "voluntary" and "voluntarily" and a reference to a "volunteer" were omitted therefrom . . .'

Section 38 of the Act of 1881 relates to:

> '(*b*) Any property which a person dying . . . having been absolutely entitled thereto, has . . . caused or may . . . cause to be transferred to or vested in himself and any other person jointly whether by disposition or otherwise, so that the beneficial interest therein or in some part thereof passes or accrues by survivorship on his death to such other person'.

while Section 11 (1) of the Act of 1889 extends the charge under Section 38 as follows:

> '. . . To money received under a policy of assurance effected by any person dying on or after [illegible]e 1st, 1889, on his life, where the policy is wholly kept up by him for the benefit of a donee, whether nominee or assignee, or a part of such money in proportion to the premiums paid by him, where the policy is partially kept up by him for such benefit.'

Paragraph (*d*), Section 2 (1) of the 1894 Act, relates to:

> 'Any annuity or other interest purchased or provided by the deceased, either by himself alone or in concert or by arrangement with any other person, to the extent of the beneficial interest accruing or arising by survivorship or otherwise on the death of the deceased.'

Claims to duty under the two paragraphs in question have on several occasions been considered by the Courts. Recently a claim under paragraph (*c*) came before the Court of Appeal in *In re Hodge's Policy, Hodge v. C.I.R.* (36 A.T.C. 270) and claims under paragraph (*d*) came before the House of Lords in *Westminster Bank Limited v. Inland Revenue Commissioners: Wrightson and Another v. Inland Revenue Commissioners* (36 A.T.C. 161), when their lordships dealt with two appeals together.

Paragraph (c) Claims

When *In re D'Avigdor-Goldsmid's Life Policy, D'Avigdor-Goldsmid v. C.I.R.* was tried at first instance before Vaisey, J. (29 A.T.C. 422), the claim of the Crown rested on both paragraph (*c*) and paragraph (*d*). The learned judge, in rejecting the claim of the Crown under paragraph (*c*), did so on two grounds. First, although the deceased had paid premiums on the policy after he had assigned it to the trustees of a settlement, that settlement had subsequently been destroyed, and a new settlement had been made with a new class of beneficiaries quite different from the class interested under the original settlement. Secondly, his lordship took the view that 'donee' in Section 11 (1) of the Act of 1889 meant the ultimate donee and was not applicable to a series of donees: that meant that, in the instant case, 'donee' signified the plaintiff, who was the final beneficiary and the owner of the policy in question, and the deceased had never kept up the policy for his benefit. Vaisey, J., thought the case to be on all fours with *Lord Advocate v. Fleming* ([1897], A.C. 145), *sub nom Lord Advocate v. Robertson* ([1897], 24 R. (H.L.) 42); but the facts of that case were far simpler: there was no question of a resettlement, and after the policy had been assigned the donee paid all the premiums.

What is Comprehended by 'Donee'

When *In re D'Avigdor* went to the Court of Appeal (30 A.T.C. 219), the Court did not agree with Vaisey, J.'s, views on paragraph (*c*), and did not think the case on all fours with *Lord Advocate v. Fleming*. Their lordships thought 'donee' apt to comprehend a number of persons entitled to successive interests. Thus, in a voluntary settlement in favour of such one of a class as the donor or some other person might appoint and in default of appointment over, the individual ultimately entitled to take would be a 'donee', even though the appointment in his favour was made only shortly before the policy matured.

The Court of Appeal agreed that the Crown could not succeed under paragraph (*c*) but their lordships' reason was that the plaintiff was not a volunteer but a person taking under his parents' marriage settlement and therefore within the marriage consideration: 'donee' was not apt to include such a person. When *In re D'Avigdor* went to the House of Lords, the Crown abandoned its claim under paragraph (*c*) and therefore their lordships had no opportunity to pronounce on its effect in that case.

Proportion of Premiums Attracting Duty

The House of Lords had, however, pronounced in paragraph (*c*) in *Lord Advocate v. Inzievar Estates* (17 A.T.C. 152), which Vaisey, J., distinguished in *In re D'Avigdor*. In the *Inzievar* case the policy was taken out in 1910 and the deceased paid fourteen premiums before assigning it in 1924. He then paid four more premiums, the last being for the year 1927. Thereafter the assignee paid seven premiums, until the policy matured on the deceased's death in 1935. The House of Lords held that the Crown was entitled to duty on four-elevenths of the policy moneys and rejected a contention that it was payable on four-twenty-fifths only. Lord Maugham, L.C., said that where the donor and the donee had shared in the payment of some or all of the premiums after the policy had been assigned, the proportion designated in Section 11 (1) of the Act of 1889 was the proportion in which they had paid such premiums after the donation. There was nothing in the section to indicate that the previous history as to the person who provided the premiums before the assignment had any bearings on the matter. The section showed by its language that the proportion was to be determined by events which took place after the donation, since only such events were contemplated by the present tense in the phrases 'is wholly kept up', and 'is partially kept up'.

When is a Policy 'Kept Up'?

Inzievar Estates was applied by the Court of Appeal in *In re Hodge's Policy*. The deceased in that case effected a policy for £10,000 on his own life in 1912, and in the following year assigned it to his son in trust until he attained the age of twenty-five. The deceased paid the premiums (four in all) until 1916, when the policy became fully paid up. In 1935, the son mortgaged the policy to the insurance company and when the deceased died in 1950, £5,432 was outstanding on the mortgage. The son had become absolutely entitled to the policy in 1938, on attaining the age of twenty-five. Harman, J., held that the Crown was entitled to duty on the gross proceeds of the policy, no deduction being permissible on account of the mortgage debt, and rejected the plaintiff's contention that it was not kept up at all at the deceased's death, and had not been since 1916.

Both before Harman, J., and the Court of Appeal (which affirmed the decision of the learned judge) the argument turned on the meaning of 'is wholly kept up' in Section 11 (1) of the Act of 1889. For the plaintiff it was argued that those words were not apt to cover the case of a policy which was not being kept up at the donor's death and in fact had not been kept up for many years, while it was contended for the Crown that the words must be read as 'has been wholly kept up'.

What Matters is the Date of Assignment

In deciding that the Crown's contention must be upheld, the Court of Appeal was guided largely by the *Inzievar Estates* case, in which the House of Lords had made it clear that, in deciding the question of liability under paragraph (*c*), the vital point of time to which attention must be directed is the date of the assignment. That being the case, as Lord Evershed, M.R., pointed out, the answer to the question 'In what proportion are the premiums paid?' will not be essentially affected by the circumstance that all the premiums may stop before the date of maturity of the policy. It followed, as a consequence, as Lord Macmillan had expressly said in *Inzievar Estates*, that the words 'is wholly kept up' must be translated as meaning 'has been wholly kept up'. In that case the relevant words were 'is partially kept up', but Lord Evershed found it quite impossible to construe those words so far as was relevant in a different sense from the way in which one construed the earlier words in the same paragraph, 'is wholly kept up'.

An Assured Position

Both Harman, J., and the Court of Appeal expressed their sense of shock that duty should be leviable in a case such as that before them, and it is thought that there are few who will not agree with this view. Moreoever, it seems that a single premium policy may not be within Section 11 (1), because in that case the policy is not 'kept up' at all. This appears from a dictum of Lord Wright in *Barclays Bank Ltd v. Attorney-*

General (23 A.T.C. 253), to which both Harman, J., at first instance and Lord Evershed in the Court of Appeal referred. It is submitted that it is truly an absurd state of affairs if moneys received under a policy which is established by the payment of a single premium do not attract duty, while moneys received under a policy which is fully paid up on the payment of two premiums do.

It seems, however, that the point will soon be academic, for the Financial Secretary to the Treasury, on the second reading of the current Finance Bill, referred to legislation next year which would change the law, and announced the following interim concession, to apply in respect of deaths after April 15th, 1958 (Budget Day):

> 'Where a beneficiary is absolutely and indefeasibly entitled to a policy of assurance for a sum of money payable on the death of another person, no duty will be chargeable thereon on the death of that person, provided that the beneficiary became so entitled more than five years before the death and the life assured neither retained any benefit for himself nor paid any premiums within the five years. Where the other conditions are satisfied, but the life assured paid some premiums in the five years before his death, the claim to duty will be limited to the proportion of the policy moneys corresponding to the ratio between the premiums paid by the life assured during the five-year period and the total premiums.' (*Hansard*, Vol. 588, col. 49.)

(*To be concluded.*)

Parsonage Houses and Manses – II

TAXATION RELIEFS AND ALLOWANCES

by FÉLICE V. SLADE, A.C.A.

Ecclesiastical Dilapidations Measures

CHURCH OF ENGLAND parsonage houses coming under the Ecclesiastical Dilapidations Measures, 1923 to 1951, are in a special position as regards maintenance relief. The incumbent is required to pay annual sums to the Church Commissioners over a five-year period to meet repairs and these payments are not expressly covered by the Income Tax Acts. Although a clergyman has the same rights as a layman to claim maintenance relief on the statutory basis, he can, if he prefers, adopt an extra-statutory basis – which incidentally is not included amongst the published concessions – and for which a special claim form (No. 99–1 E.C.) is issued. Once he has adopted the extra-statutory scheme the clergyman may not change over to the statutory basis.

Under the Ecclesiastical Dilapidations Measures, the parsonage buildings are inspected every five years by the surveyor to the Diocesan Dilapidations Board. The surveyor must report to the Board stating:

(i) what immediate repairs are needed, specifying them in detail and giving the estimated cost;
(ii) the time, not exceeding twelve months, within which they must be carried out;
(iii) assuming that the immediate repairs will be duly carried out, the probable cost of the repairs during the next five years (called the 'quinquennial' repairs);
(iv) the additional sum, if any, required for future repairs (called the 'deferred repairs') to be carried out during a period exceeding five years;
(v) the general character of any deferred repairs, the reason for their classification as such, and within what time they should be carried out;
(vi) the sum required for adequate reinstatement of each building in case of fire.

The incumbent receives a copy of the report and he has a right of objection to it. Upon determination of an objection or within a month of the receipt of the report, the Dilapidations Board makes an order confirming the report with or without variation. A copy of the order is sent to the incumbent and to the Church Commissioners.

Ordinary Assessment

The Church Commissioners, upon receiving a copy of the dilapidations order, make an ordinary assessment fixing an annual payment for the next quinquennial period. This assessment contains three 'rates' and the relevant part of the notice is reproduced overleaf (page 430).

The Church Commissioners may assess annual sums for administration rate (i.e. the third item above) as follows: (*a*) for the expenses of the Dilapidations Board, a sum not exceeding 10 per cent of the repair rate and (*b*) for their own expenses a sum not exceeding 1 per cent of the repair rate. Under the Measures they may allow

	£
(1) Repair rate (to meet the estimated cost of the quinquennial repairs as required by the Diocesan Dilapidations Board's order)	
(2) Insurance rate (i.e. the insurance premium necessary to provide the capital sum fixed by the Diocesan Dilapidations Board's order as the insurance against fire loss)	
(3) Administration rate (towards the expenses of the Diocesan Dilapidations Board)	
Annual payment	£

such rate of interest as they may from time to time determine on the amount of the repair rate while it is held by them. It is understood that at present they do not collect any administration rate from incumbents for their own expenses.

Payments under the assessments are charges on the revenues of the benefice and the Church Commissioners collect the annual liability (less any part which the parochial church council may elect to pay direct to the Commissioners) by equal deductions from the incumbent's stipend.

Charging and Long Assessments

If the Commissioners are unable to recover the liability they may advance the money and make a charging assessment.

The cost of the 'deferred repairs' (item (iv) of the surveyor's report referred to above) which may be spread over more than five years, forms the basis of a long assessment which is similar in other respects to an ordinary assessment.

When any repair work is carried out to make good the dilapidations as required by the diocesan surveyor's report, or with his sanction, either the incumbent pays the bill and recovers the cost from the repair rate held by the Church Commissioners, or the Commissioners settle the charge in the first instance, according to the amount involved. In either event, the (receipted) bill itself is available to the incumbent. The Ecclesiastical Dilapidations Measures do not, however, provide for interior decorations (or 'decorative repairs' as they are called in the special maintenance claim form) and therefore no reimbursements are made by the Commissioners for expenditure under that heading.

Calculation of Maintenance Relief

As is stated on the Inland Revenue form No. 99–1 E.C., maintenance relief may be claimed by the incumbent

'on the excess (if any) of the sum of (*a*) the payments made and borne by him under ordinary, long and charging assessments, (*b*) any payments made and borne by him in respect of the cost of immediate repairs exceeding the sums held by the Church Commissioners and available towards such cost, and (*c*) the average cost to him of decorative repairs etc., in the preceding five years, over (*d*) the deductions already allowed for repairs in the income tax assessments under Schedule A.'

It is only the expenditure on decorative repairs and management (e.g. agents' commission for collection of glebe rents) which is normally to be included in the maintenance claim on the basis of the average cost in the preceding five years (although the well-known concessional bases in respect of new ownerships can be applied here if appropriate). The amounts payable under ordinary, long and charging assessments are to be included on an 'actual year' basis as also are payments borne in respect of immediate repairs.

Example

Rectory, net annual value 1957–58, £80. Quinquennial repairs estimated to cost £240. Insurance paid by parochial church council. Average expenditure on decorative repairs for five years ended April 5th, 1957, £15.

	£	£
Amounts paid to Church Commissioners in 1957–58 by deduction from stipend:		
Ordinary assessment (1/5th of £240)	48	
Long assessment	–	
Charging assessment (exclusive of any interest)	–	
	—	48
Immediate repairs (required at the end of the quinquennium for ordinary assessments or other period for long assessments):		
Amounts paid in 1957–58 less reimbursements by the Church Commissioners		Nil
Average cost of decorative repairs for five years ended April 5th, 1957		15
		—
		63
Less Statutory repairs allowance ..		20
		—
Reduction in Schedule A assessment ..		43
Less Earned income relief		10
		—
Income tax relief on		£33

Advantages of the Concessional Basis

Although the special method of obtaining maintenance relief may at first sight appear rather complicated, it is in fact very simple to operate. It has distinct advantages and it can be assumed that all incumbents should adopt it. In fact, if it were not for the concession it would be doubtful whether the incumbent could obtain maintenance relief at all.

Three advantages of the scheme may be specially mentioned. Firstly, the incumbent leaving a benefice scores over the layman selling his house. On the statutory basis the vendor of a property is normally unable to obtain relief in respect of expenditure incurred during the last year of his ownership. The incumbent, however, can obtain relief on the cost to him of any immediate repairs and on the dilapidations payments deducted from his stipend during the final year of ownership because these are included in the concessional claim on an 'actual year' basis.

Secondly, fewer inquiries are likely to be received from the Inland Revenue (e.g. as to any element of improvement in the expenditure). The Inspector will not want to know how the diocesan surveyor calculated the amounts of the immediate and quinquennial repairs, he will merely give relief on the payments under the Measures as confirmed by the Church Commissioners.

Thirdly, less difficulty should arise over lost bills. The Inspector will need evidence from the Church Commissioners of the amounts of the dilapidations payments deducted from the stipend and will require bills only for expenditure not reimbursed by the Commissioners (e.g. on decorative repairs).

There is perhaps a danger of overlooking the ecclesiastical dilapidations payments and assuming incorrectly that a clergyman's house is not affected by the Ecclesiastical Dilapidations Measures. No reference is made to these payments on the forms P.60 (C.C.) issued by the Church Commissioners, although the deductions are shown on the stipend payslips. Furthermore, the notices of assessment under the Measures are stamped 'To be deposited in the church safe' so that there is a possibility of their being put out of sight without being shown to the incumbent's accountant. It is therefore advisable that the incumbent should be asked specifically whether he is liable to assessment under the Ecclesiastical Dilapidations Measures.

Glebe Income

It has already been mentioned that the cost of collection of glebe rents may be included as a management expense in the special maintenance claim on an 'actual year' basis. Such costs, however, must relate only to the collection of rents under short leases (i.e. not exceeding fifty years).

It may not be out of place here to mention that the Board of Inland Revenue has recently agreed, as a result of representations made to them, to allow tax relief on the cost of collecting glebe income on long leases (i.e. on ground rents or similar charges on land where the lease is for more than fifty years). Any such expenditure should be claimed as an expense of the benefice (normally under Section 479, Income Tax Act, 1952) and not in the maintenance claim.

Rating

As might be expected, the rating of parsonage houses and manses gives rise to special problems. The Rating and Valuation (Miscellaneous Provisions) Act, 1955, contains in Section 8 special 'Provisions as to rates payable by charitable and other organizations' and these are usually applicable to vicarages, rectories, manses, etc. The need for these provisions arose out of the rating revaluation which came into force in April 1956.

The section gives relief to three categories of property, namely, property occupied by charitable and similar bodies, almshouses and playing fields not occupied for profit. The principal object of the section is to empower rating authorities to give relief from rates where they consider it deserving in such cases; the second object is to avoid the effect of a sudden change in the finances of an organization which had previously enjoyed a 'sympathetic' assessment.

The amount of rates payable on the properties in question for the first year of revaluation, i.e. 1956–57, is not to exceed the sum paid in 1955–56 and the same *proportionate* remission must be made in subsequent years unless the rating authority gives three years' notice to discontinue or reduce the remission. The High Court has now ruled that these notices can operate from April 1st, 1960, which is a year earlier than was contemplated.

Section 8 was not apparently intended to be anything more than a temporary expedient and it is understood that it is the intention to introduce some more permanent form of relief for charitably occupied hereditaments during the lifetime of the present Government.

The whole question of the rating of charities is at present being reviewed by the Pritchard Committee – a committee set up in January under the chairmanship of Sir Frederick Pritchard, the former judge. It has been announced that in view of the urgency of certain matters the committee hopes to report to the Government by the end of the year.

THE FUTURE ROLE OF THE ACCOUNTANT IN PRACTICE – I

AN AUTUMN MEETING PAPER

by HENRY BENSON, C.B.E., F.C.A.

Introduction

I WAS brought up to believe that it was dangerous for a professional accountant to prophesy, particularly if he did so in a document which could become public property. I hope, therefore, that the Investigation Committee of the Institute will read this paper with an indulgent eye. Another disadvantage of prophecy is that one may have the humbling experience some years hence of looking back and realizing how grossly one misjudged the future. For both these reasons I would like to stress that the following thoughts are my personal views only, and in no sense do they represent the official views of the Institute or those of my partners and my firm. Verily, I am also aware that no prophet is accepted in his own country. I should perhaps add however that I have been at pains to seek the views of a number of practising accountants both in this country and abroad and I find that there is support for many of the views expressed in this paper.

The Origin of the Profession

2. Before gazing into the future to see what the role of the practising accountant might be, I have thought it wise to spend a little time looking back over the past. The practice of an accountant as it exists today is comparatively recent. It is probable that accountants first began to practise on any scale in the City of London from about the year 1830 or 1840 and from that time forward until about 1880 the great bulk of their business was concerned only with bankruptcy, liquidations and receiverships. Indeed, Ernest Cooper who was President of the Institute from 1899 to 1901 in writing of his recollections of the position when he first went to the City in 1864, wrote as follows:

> 'We could hardly, South of the Tweed, claim to be a profession. There was absolutely no organization or co-operation, no Institute or Society, no examinations, very few articled clerks, no newspaper, no library, no benevolent fund, and not even a dining club or golf club. Our social position was not enviable. We may disregard the then current gibes, that if an accountant were required he would be found at the bar of the nearest tavern to the Bankruptcy Court in Basinghall Street, and that an accountant was a man who had failed in everything else – for there was a goodly number of honourable men of standing and repute who followed our calling. But an accountant was regarded as associated with and dependent upon insolvency, and I well remember that to be seen talking to or having your office entered by an accountant, was to be avoided particularly in the stressful times of 1866.'

3. The Bankruptcy Act of 1869 kept the accountants of those days busy but fourteen years later, in 1883, there followed the Bankruptcy Act which established, for the first time, the office of Official Receiver and this led to a great reduction in insolvency business for the professional accountant. In the meanwhile, however, the joint stock or limited company principle of business administration had been gaining ground. This provided an increasing volume of work for accountants and more than anything else helped to establish the position and strength of the profession. The joint stock movement was given impetus by the Companies Act of 1862 and then in 1879 and 1900 two further Acts were passed, the former requiring banks, and the latter every company, to employ auditors.

4. In the last sixty years, therefore, the profession has grown and flourished on the practice of auditing and, until comparatively recently, by far the greater part of any accountant's business was concerned only with auditing and, in the smaller firms, in writing up books and preparing annual accounts for clients. In the last forty years there has been an increase in taxation work on behalf both of private clients and limited companies, while more recently still the accountant has begun to be identified in the mind of the public with work in a number of other fields such as investigations of every description, organization, costing, management accounting, trustee work, secretarial and registration work.

The Development of Auditing

5. The present strength of the profession has therefore been founded upon the practice of auditing which has been undergoing continuous development since the beginning of the century and has been greatly helped by the Companies Act of 1908, 1929 and 1948. Although there are many other services which an accountant can perform, I believe that auditing, and the accountancy work which goes with it in the smaller practices, will still provide for very many years to come the largest part of an accountant's practice. There are no figures available

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The first part of an address delivered at the autumn meeting of The Institute of Chartered Accountants in England and Wales, in London, on October 2nd, 1958.

to prove it but I estimate that at present this type of work provides between 70 per cent and 80 per cent of the gross fees of an average business conducted by a practising accountant.

6. There are some figures which may be of interest in this connection. The total number of companies on the registers in Great Britain at the beginning of the years shown was as follows:

			Approximate paid-up capital £ million
1927	—	101,000	4,700
1937	—	148,588	5,800
1947	—	217,807	6,000
1957	—	306,610	7,000

The figures of paid-up capital shown above do not by any means reflect the real growth of the funds invested in these companies because they do not include the enormous sums representing share premiums, capital and revenue reserves. In the past thirty years the number of companies, all of which require auditors, has increased threefold. Approximately seventeen thousand new companies are registered every year and if deductions are made for companies which are dissolved or struck off, the net increase is about ten or eleven thousand per annum; in fact for the year 1957 the figures were somewhat in excess of those just given. Apart from limited companies there is also of course a substantial volume of business in the shape of auditing and accountancy work for the nationalized industries, local authorities, clubs, societies, charities, sole traders and partnerships. Only about five thousand companies have a quotation on The Stock Exchange, London, so that the overwhelming majority of the three hundred odd thousand companies on the registers are private companies, or public companies only in the technical sense, as their shares are not quoted.

7. I see no reason why this growth in the number of limited companies should not continue. Looking forward over a period of twenty or thirty years, it seems to me inevitable that the great bulk of the work of a practising accountant will still be in the role of auditor. That will continue to be the backbone of his business and it will still provide the bulk of the practical experience which an articled clerk receives during his period of training. This is both a strength and weakness to the profession. Auditing provides a solid, steady and reliable business which gives security and stability to the practice of an accountant. Moreover, the basic training of an auditor establishes principles which can be applied with success in most forms of industrial and commercial enterprise. Nevertheless there are weaknesses in this situation because an over-emphasis in auditing, which largely comprises checking the work of other people and is concerned with the past rather than the future, tends to narrow our point of view and dull our sensibilities and does not always stimulate us to be imaginative and constructive.

The Basic Purpose of the Audit of the Future

8. Although auditing will provide us with the bulk of our work I would like now to take the first plunge into prophecy about the future and say that the profession's approach to auditing must undergo some radical changes in the next few years. Auditing at the present time is still too often based on the principle of examining the books and records as they are and checking or testing them to verify their accuracy. This is sought to be accomplished by varying degrees of routine work in the shape of vouching, the verification of additions and postings, and a concentration on arithmetical accuracy and the detection of minor frauds by the company's officials. It is still the belief of a large number of clients by whom we are employed that our main task is to verify that cash has not been stolen, that the books balance and are arithmetically correct and that the technical requirements of the Companies Act have been met. This attitude of mind both by the auditor and by the client is particularly manifest in some parts of the British Commonwealth. If we continue to approach an audit in this light, I do not think we shall continue to hold the respect of the business community. It is work of a routine character which is costly to the clients and achieves very little; clients will not be willing to continue to pay audit fees for this class of work or this type of approach.

9. The present and future approach of an auditor should, I think, be a different one. His task should be firstly to find out whether the accounts show a true and fair view and whether there has been disclosure of all the information which is necessary to enable shareholders (and in the case of quoted companies, the investing public) to understand the position. Secondly to prevent fraud or misrepresentation, though in this respect the character of the word 'fraud' has changed in that the emphasis is not on the detection of defalcations by the company's officials but on fraud by misrepresentation in the annual accounts. Thirdly to devote a large part of his work on the audit to the adequacy or otherwise of the company's system of internal check.

10. This approach to the audit is perhaps more manifest in the United States than it is here at the present time, and it is interesting to quote from the Codification of Statements on Auditing Procedure issued by the American Institute of Accountants in 1951. The words in italics appear in that form in the original document.

> 'The ordinary examination incident to the issuance of an opinion respecting financial statements is not designed *and cannot be relied upon* to disclose defalcations and other similar irregularities although their discovery frequently results. In a well-organized concern reliance for the detection of such irregularities is placed principally upon the maintenance of an adequate system of accounting records with appropriate internal control. If an auditor were to attempt to discover defalcations and similar irregularities he would have to extend his work to a point where its

> cost would be prohibitive. It is generally recognized that good internal control and surety bonds provide protection much more cheaply. On the basis of his examination by tests and checks, made in the light of his review and tests of the system of internal control, the auditor relies upon the integrity of the client's organization unless circumstances are such as to arouse his suspicion, in which case he must extend his procedure to determine whether or not such suspicions are justified.'

At least one leading firm of accountants in America writes to its clients on acceptance of an audit making it clear that the audit is not designed, and cannot be relied upon, to disclose defalcations and other similar irregularities. In this country too, some of the larger and more enlightened industrial companies have realized that it is a physical impossibility for the auditor to spend time in detecting minor defalcations and they would not seek to hold him liable for negligence if he failed to discover them.

11. I think it is the duty of the profession in the future to establish the principle that it is the task of management to install an adequate system of accounting and internal check to ensure that the company's assets are properly safeguarded. This can be done by a properly designed accounting system, the use of mechanical aids, good administration, fidelity insurance, the careful allocation of duties among the staff and the prompt preparation of figures and statistics which highlight the important features of the business and show whether anything is going wrong. In the larger companies an internal audit department is often established which helps to carry out these functions. If the profession is successful in getting this principle firmly established it means that the external auditor will be free to devote the greater part of his time on the audit in finding out what the system of internal control is and making tests to see that it is functioning properly. He will be able to concentrate on discovering the weak spots and helping to correct them. These are skilled jobs which can only be carried out by experienced staff. It will be the auditor's task to report to the management if the system of internal control laid down is unsuitable or ineffective. In this way the auditor can show considerable initiative and play a much more constructive part than he does at present; he can be of real help to management.

Stock-in-trade and Work in Progress

12. The next big change in audit practice must be in relation to stock-in-trade and, taken as a whole, I doubt whether our audit standards in this respect are high enough. For a long number of years too many of us have sheltered behind some of the passages in the judgment on the *Kingston Cotton Mill* case which was delivered in 1896, and quite insufficient attention has been given by auditors to the verification of the existence and the value of stock-in-trade and work in progress. Some auditors, even to this day, take no responsibility for stock and rely solely upon a certificate by the managing director. In my view this is indefensible and an auditor cannot properly sign the audit report required under the Ninth Schedule to the Companies Act if he has not taken proper steps to verify this asset.

13. The auditor's failure to ensure that stock and work in progress is properly taken and valued for the purpose of the annual accounts has in many instances caused this asset to be wrongly stated. Not infrequently this leads to inquiries by the Revenue Authorities and to costly and troublesome back duty investigations. Very often, moreover, when a private business is ready for flotation as a public company, the examination of the profits for past years shows that stock has not been properly valued with the result either that the issue has to be postponed or the investigating accountant's report has to include a damaging qualification. At present the auditor may or may not have a legal responsibility when situations such as these arise, but whatever the legal position he is certainly open to criticism in that he has failed to advise and guide his client wisely in matters which are essentially within his province as auditor. The time will inevitably come in the next few years when the auditor's duties in relation to stocks are again tested in the Courts. When this happens it will be impossible for any member of the profession to come to the aid of a colleague whose defence is based primarily on the acceptance of a certificate given by the managing director as to the existence and value of stock-in-trade and work in progress.

14. In those cases in which auditors do verify stock and work in progress, I suggest that the tests normally applied in this country should go further than they do at present. I think that the auditors should watch the annual or periodical stocktaking made by the company's officials. This is one of the best means by which the auditor can satisfy himself as to the physical existence of the stock and it is an admirable means of testing the system of internal check under which the stock is taken; of ensuring that all stock is included; and of verifying that slow-moving obsolete and redundant stock is properly excluded or written down to marketable values. If, when it is done, this observation of stocktaking is done thoroughly, I do not think that it need be carried out every year and it would be adequate in normal cases to do it once every four or five years.

The Auditor's Functions in the Future

15. In 1953 the Institute of Chartered Accountants submitted a memorandum indicating the manner in which auditors could assist Parliament to exercise some supervision and control over the activities of the nationalized industries. This memorandum was published in the Report and Accounts of the Institute of 1953, at page 57. It has, so far, passed comparatively unnoticed, but if it is studied by the members of our profession, it will be seen that the conventional conception of an auditor's duties has changed. The document should of course be read as a whole but I set out below paragraph 8. Certain limitations in

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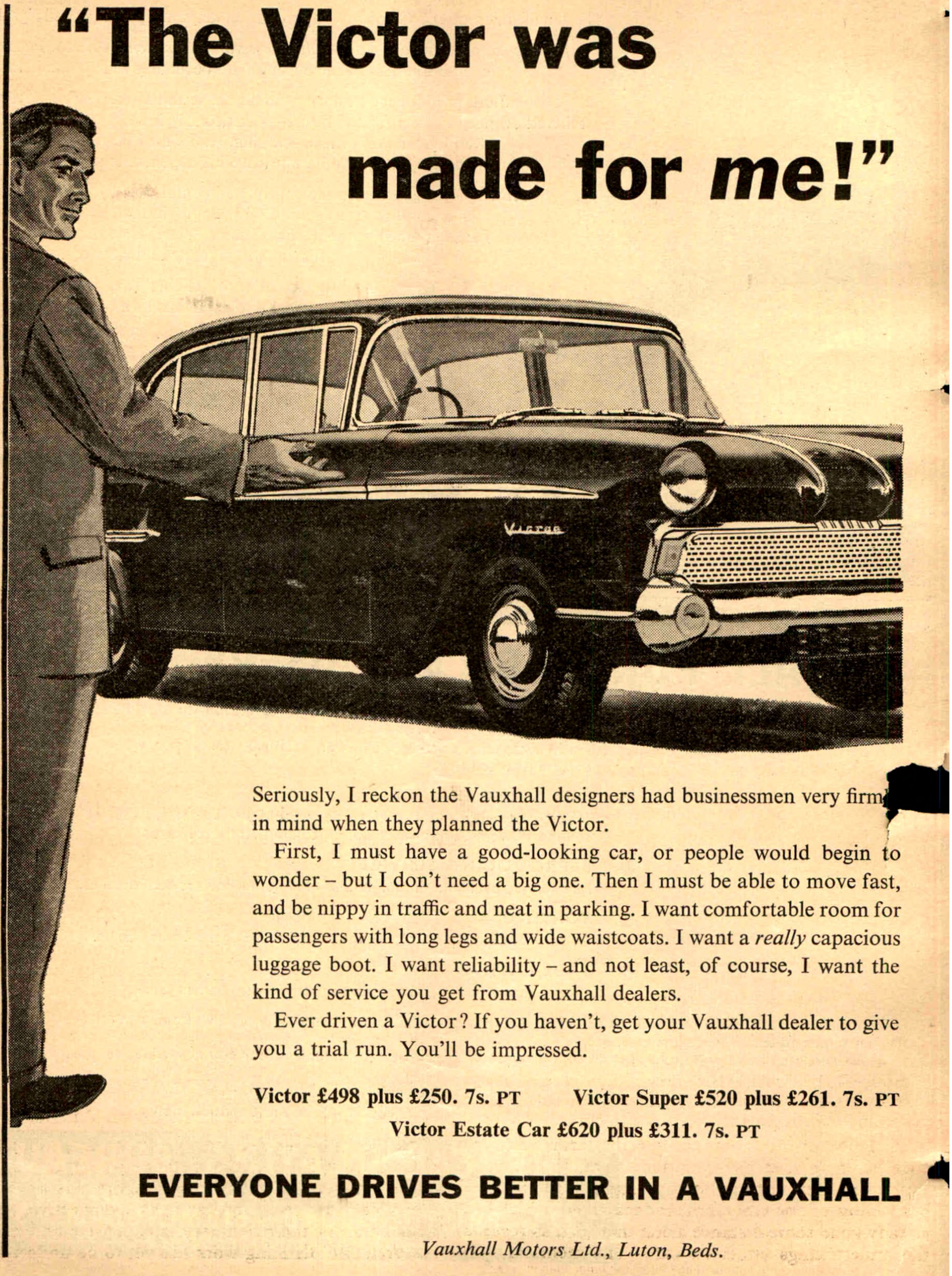

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the terms of reference proposed in paragraph 8 were contained in paragraph 10 of the document, but for my present purpose I have not thought it necessary also to reproduce the latter paragraph.

'8. The terms of reference might be as follows:

> "It shall be the duty of the auditor to submit, as soon as practicable after he has completed his normal audit report, a supplementary report upon any matter of a material or substantial character which may have arisen under the following headings even if already mentioned in the audit report:
>
> (*a*) If, in matters of finance, the undertaking has not complied with the directives issued to it by the Minister, or other higher authority, to whom it is responsible, or with the provisions of the Act which controls or governs its existence. This section of the report should include appropriate comments as to the manner in which the undertaking has discharged its statutory duty to ensure that, taking one year with another, its revenues shall be not less than its revenue outgoings, and as to the amount and source of the funds available to meet the prescribed rates of interest on advances, if any, from the Consolidated Fund and to repay those advances within the prescribed period.
>
> (*b*) If Government grants or subsidies have been given on the basis of estimates furnished by the undertaking and the subsequent results have differed materially from the estimates.
>
> (*c*) If the accounts have not been drawn up so as to show clearly and fairly the results of the operations of the undertaking, and where appropriate, the effect of subsidies thereon.
>
> (*d*) If, in the ordinary course of the audit, the auditor has formed the opinion that there is a prima facie case for further investigation into any of the following:
>
> (i) lack of proper administrative and financial control of revenue, expenditure (including purchasing procedures), assets and liabilities;
>
> (ii) substantial capital expenditure incurred which was intended to be productive but which had not proved productive or upon which an adequate return has not been received;
>
> (iii) expenditure incurred which is of an extravagant or wasteful nature judged by normal commercial practice and prudence;
>
> (iv) any other matters concerned with the financial administration of the undertaking which may be worthy of special comment.
>
> "In making his supplementary report the auditor will not normally, in the first instance, be expected to make exhaustive investigation of the foregoing matters. Any detailed inquiry and report required from the auditor would be a matter for subsequent specific instructions." '

16. I do not think that the specific terms of reference given in that memorandum have, so far, been applied in their entirety to any nationalized industry but I know of one Government department which has already gone some distance along that road as regards the undertakings under its care. The memorandum applies specifically to the nationalized industries but it indicates a trend, which I am seeking to emphasize in this paper, of which we should all take cognisance. As time goes on I think that the public will feel the need for auditors who are prepared to express a view on the matters listed in the memorandum rather than on the routine and humdrum aspects of auditing to which we have devoted so much of our attention in the past.

17. If the changes in an auditor's work to which I have referred come to pass, it will mean a considerable change in an auditor's outlook and his approach to his work. It will no longer be possible to send staff round to clients' offices to take the books as they find them and apply such tests as appear to establish that the entries are correct. The audit staff will first have to find out all about the business of the company and whether the system of control and internal check, as laid down by the management, is adequate from the time that raw materials are first ordered until the finished product leaves the factory gate. When the partner attends the final discussion with the board of directors or the managing director before signing the accounts, he will be expected to point out weaknesses in the system of internal control, and to deal with matters such as the adequacy of the return on capital, the rate of stock turnover, the suitability of the costing system, improvements necessary in the system of stocktaking and stock control, wasteful expenditure, obvious weaknesses in administration and numerous similar subjects upon which he should be able to give helpful advice. This requires a much higher degree of skill on the part of the auditor and a wider knowledge of commercial, industrial and manufacturing processes. It must also cause us to wonder whether our present system of training articled clerks and newly-qualified members of the profession, will have to undergo some alterations.

The Appointment of Auditors

18. Another change which I think may take place as regards the practice of auditing is the method by which the auditors are appointed. This is laid down in specific terms in the 1948 Companies Act, but it is thought by some that the Act gives perhaps too much protection to the auditor. It is important that it should be made difficult for unscrupulous directors to get rid of auditors who have done their duty, but on the other hand too great a security of tenure leads to complacency. I mention the point because it is a trend of thought of which we should take notice.

The Effect of Electronics on Auditing

19. Many of us are wondering what the effect of electronics will be in the methods of conducting an audit but it will be some years before this development can be seen in its right perspective. The installation of the machinery is expensive and much research and planning work has yet to be undertaken

before electronics can be used for book-keeping and accounting purposes except by large undertakings. If my conception of auditing of the future is the right one under existing conditions, it seems to me that it will be of even greater importance when books and accounts are recorded electronically, for the reason that there will be far fewer individual entries in the books physically to be seen or verified, and it will be all the more necessary for the auditors to concentrate on the system of internal control.

Other Types of Work

20. I have dealt with some of the changes which seem to me probable in our main business of auditing and I would now like to consider what other types of work are open to us and what changes may be expected in each of them.

Taxation

21. Although our profession has been built on auditing, taxation work has become of increasing importance in the last forty years. I suspect from such discussion and inquiry as has been possible, that in terms of gross fees taxation work represents about 10 per cent to 20 per cent of the practice of an average accountant though I have no reliable statistics to support this belief.

22. I would like to digress for a moment at this point to say that comparatively few firms of accountants appear to analyse their gross fees as between the various classes of work or to ascertain the profit or loss on each job as it is completed or to find the proportion of the total profits which is derived from each class of work. I do not think that a professional accountant can run his business to the best advantage without this information; this comment lends point to some later observations I wish to make on the profession's attitude to costing generally.

23 Taxation work is likely to grow. The Schedule D assessments made by the Revenue authorities in Great Britain now total between three thousand and four thousand million pounds per annum all of which have to be handled as far as the taxpayer is concerned either by accountants in practice or in industry. The Schedule E assessments amount to over nine thousand million pounds and many of them are handled by professional accountants.

24. The complications of taxation are unlikely to diminish. Indeed, as far as limited companies are concerned, it is no longer possible to consider any proposal on any subject without first considering the taxation position, and in a great many cases, taxation considerations finally determine not only the form in which the transaction should be carried out but the nature of the transaction itself. The task of keeping up to date with legislation and case law decisions is a job for a specialist. It is scarcely possible for a professional accountant to give expert advice on taxation matters unless he spends the whole, or the greater part, of his time on taxation work keeping up to date not only with the theory but also with the many variations which are possible in practice. This means inevitably that in any practice, other than the smallest, it will be essential to have one or more taxation specialists who concentrate on this type of work. As the practice grows, these specialists will in time have to be split as between those who deal with the taxation of private individuals and those who deal with specialized problems of industrial and commercial companies. Many accountants organize their businesses on the principle that staff and partners should deal with all the various classes of work which the firm undertakes. I do not think that this system can survive. Taxation exemplifies more than anything else my belief that it is a task for a specialist and that unless an accountant in future organizes his business into specialist departments he will fail to give the best service to clients; this is one of the main themes of this paper.

Organization

25. There is another big field open to the professional accountant, almost unexplored, which I shall refer to by the all-embracing term of 'Organization'. I think that our forebears must have believed that sooner or later this would be one of the services which the professional accountant would perform because the word is shown prominently in one of the stained glass windows which adorn the stairs of our building in Moorgate Place.

26. Organization can cover many fields of activity but I use it specifically in relation to three things. Firstly, the physical methods by which financial transactions are recorded. Secondly, costing in its widest sense. Thirdy, the preparation and presentation of financial information to assist management and the administrative organization required to do this. Some or all of these functions are often referred to in this country as management accounting; the term used in Canada and the United States, and one which is perhaps more likely to appeal to our clients, is 'Management Services'. I should like to emphasize that organization, in the sense in which I use it, is needed most in the smaller businesses for the reason that the big companies usually have the resources and facilities to administer themselves efficiently. Organization therefore opens a field for the member in practice who deals on the whole with the smaller rather than the larger company.

27. Dealing with the first of these phases of organization, there has been continuous and rapid growth in the manual and mechanical methods of recording financial transactions. It began in the Dark Ages with notches on sticks and it has progressed through the time when every item was laboriously written by hand. We have gone on, within the recollection of most of us here in this hall today, to typewriters, book-keeping machines, filing systems, punched-card machinery and now to electronic accounting. It seems to me that the professional accountant should keep

abreast of these developments and the office organization necessary to install them. Not only should he know the capacity and scope of these mechanical devices but also when it is or is not suitable and economic to install them. He should also be able to advise on the actual method of installation. A great deal of help is of course available from the manufacturers of the machines but there is a long process of preparation and planning followed by supervision of the operations in the early stages, and the professional accountant should equip himself to provide this service. Like all facets of an accountant's work it needs special study and specialized staff.

28. The second phase of organization work is costing. During the Second World War an inquiry was made by one of the Government departments into the type and efficiency of the costing methods employed in a very large cross-section of industry in this country. The results were a grave reflection on the accounts departments of British industry and the profession must share responsibility for that state of affairs. Many companies had no costing system worthy of the name; a majority did not reconcile their costing system with the financial accounts; large numbers had no proper control of the receipt and issue of stores; overhead rates, if used at all, remained unaltered for years. There has doubtless been an improvement since, but I suspect that even now the position is far from satisfactory. Indeed if each of us reviews his own clients he will be forced to admit that many of them have indifferent costing systems which are capable of great improvement. If the professional accountant is to be able to fulfil the role which his clients will expect of him in the future I think that this is another type of work in which he should be expert. He should know from his experience as auditor of the business whether the costing system is adequate or not; he should be able to decide which form of mechanical system will give the necessary results; he should be able to make up his mind as to the form of costing information which will be most helpful to his client in running his business; finally, he should, if asked to do so, be able to attend at his clients' offices and supervise the installation of an adequate costing system.

29. The third phase of organization flows naturally from the first two. That is to say the preparation and presentation of budgets and financial information promptly and at regular intervals in order to assist management. A surprising number of businesses fail to equip themselves with the necessary tools of management. Voluminous statements and statistics are often prepared which either are not looked at or upon which no decisions are taken. On the other hand, management at all levels often does not furnish itself with, or interpret correctly, essential costing and other financial information without which it is impossible to run the business efficiently. The professional accountant's capacity to select the important from the unimportant and to interpret figures, coupled with his experience of the methods adopted in a number of other businesses, should make his advice especially valuable in this field. This is a much wider subject than the mere presentation of figures; it is usually necessary to begin by examining and changing the administrative organization, settling the channels of authority and pinpointing the individual upon whom specified responsibilities must rest.

30. It may well be that, in advising clients under either or both of the two latter phases of organization work, the professional accountant will need the technical help from engineers who are skilled in plant layout, work study, job progressing and similar matters. In so far as the company itself cannot provide the necessary assistance the professional accountant may wish to obtain the collaboration of one of the firms of consultants who provide this service. It would be unusual, though not unknown, for a professional accountant himself to employ engineers for this purpose.

31. I have stressed these three phases of organization because the professional accountant is in danger of falling behind in each one of them. For example, the number of professional accountants who can devise a modern and efficient costing system is comparatively small; the number who are capable of attending at a client's office and supervising the installation is smaller still. Indeed, many of us, as I have pointed out, do not have an up-to-date costing system in our own businesses. The skills required to give competent professional advice on organization work take a long time to acquire. Much technical reading and practical experience is involved. I believe that in any practice of any size there is scope for one or more specialists who can study the various phases of organization work and advise clients on the needs of each particular business and the methods of installation. When the professional accountant is the auditor of a business I do not think that he should necessarily wait to be asked by his client for advice on these matters. As auditor he has a better opportunity than most people of knowing the weaknesses; if he feels that a client's business would be helped by a change of system or the installation of more up-to-date methods it is prudent and sensible to tell the client so. It will be seldom that the advice will not be welcomed.

32. The reason why so much of our business is auditing is because audits have been made compulsory under the various Companies Acts. Organization is a comparatively new subject which has only developed in recent years. It is not putting it too extravagantly to say that it offers the greatest opportunity and challenge to the professional accountant which has been open to him for the past fifty years. Without the compulsion of a Companies Act I think the professsional accountant has failed to see or take the opportunities which are within his grasp in this field. If they are not seized now, it is certain that others will see them and wrest them from us. There are significant signs that this is already taking place.

(*To be concluded.*)

THE INSTITUTE'S AUTUMN MEETING

UNQUALIFIED SUCCESS OF LONDON CONFERENCE

That the twenty-third autumn meeting of The Institute of Chartered Accountants in England and Wales held in London on Thursday, Friday and Saturday of last week was in every way an unqualified success, there can be no doubt. Exemplary organization down to the final detail, the splendid accommodation and facilities of the Royal Festival Hall, and the excellence of the conference papers combined to provide – with the attractive social programme – both enjoyment and instruction for members and their ladies.

The opening address by the President of the Institute, Mr W. L. Barrows, LL.D., F.C.A., was reproduced in last week's issue of *The Accountant*, which also contained summaries of the papers presented on Thursday afternoon by Mr H. A. Benson, C.B.E., F.C.A., and Mr W. W. Fea, B.A., A.C.A. Transcripts of the discussion on the papers were not available when the last issue went to press. These discussions are reported below and the first part of Mr Benson's paper is reproduced elsewhere in this issue.

DISCUSSIONS AT THURSDAY'S BUSINESS SESSIONS

'The Future Role of the Accountant in Practice'

Mr P. Livingstone Armstrong, F.C.A. (London), asked if Mr Benson would consider giving his own views on education in the profession, to which he made reference in paragraphs 56 and 57 of his paper.

Mr C. H. W. Sansom, F.C.A. (Middlesbrough), said that in addition to professional accountants accepting directorships, many in small firms in the provinces were magistrates, school governors, or even sat on Royal Commissions, but they were not allowed to use their degree. 'That makes me wonder why we hide our light under a bushel,' he said. 'Are we ashamed of our degree? Quite frankly, we should not be. The Council should seriously consider whether members should be allowed to use their degree in most capacities, so long as it is not a form of advertising.'

Turning to paragraph 56, he asked if, as might happen in future, fee-paying schools were abolished and grammar schools were converted into comprehensive schools with the result that the G.C.E. standard was lowered, would Mr Benson advocate that the Institute should insist on all candidates sitting the Preliminary examination and/or, if the standard remained the same, would he advocate a reduction in the term of articles when a candidate passed G.C.E. at advanced level in not less than two subjects? This idea had a parallel in the medical profession, where a candidate who had passed in three subjects at advanced level was exempt from the first year medical course.

Mr E. D. McMillan, A.C.A. (London), entirely agreed with Mr Benson's attitude to investigation work and said, 'It is important that we should help our clients as much as possible by expressing a firm opinion where we can and not restricting our report to past events.'

He went on to ask Mr Benson's views on forming an opinion about the success of a new venture or the quality of personnel, which went beyond the province of an accountant as such. 'I appreciate that our clients like us to express opinions on these matters, but possibly we should do so in as informal a manner as we can and make clear that we are expressing views as individuals on matters which are not restricted to accountancy', he said. 'It would be difficult in any case for a partnership firm to express views on such matters, as the views of individual partners might well differ. Moreover, it might be dangerous from the point of view of the firm since its reputation as auditors and in other directions might suffer if it expressed opinions which were subsequently proved wrong, as they well might.'

Mr R. W. Brazier, A.C.A. (London), commented that in his paper, Mr Benson referred to statements on auditing procedure issued by the American Institute. Those statements had resulted in the standardization of certain auditing procedures in the United States. 'Are you of the opinion that the standardization of auditing procedures in this country would be beneficial to the profession,' he asked, 'or do you consider that it would destroy the initiative of the individual auditor in his approach?'

Mr A. P. Ravenhill, F.C.A. (London), said that as a receiver of auditors' services, he thought the approach of Mr Benson in paragraph 17 was probably most appropriate and would be welcomed by a large part of the industrial and commercial community, but it brought difficulties to the profession. The statement that whoever was in charge of the audit must be in a position to find out all about the business involved a tremendous task.

He did not suggest that was impossible, but it meant that the man concerned must be able quickly to appreciate all the considerations involved. 'We welcome a forthright view of what he believes wrong with the organization, or of what can be done to improve it,' he declared, and suggested that those who could do this job most effectively were those who had had a few years' experience in industry before entering the profession.

Specialist Skills

Mr C. Bostock, M.A., F.C.A. (London), said: 'In paragraph 54 of his paper, Mr Benson has drawn attention to the rather surprising fact that in a profession of the size of ours we still have basically one tier. Speaking on behalf of a smallish firm in London, I feel that anything we can do as a profession to try to build up the tradition under which we do not hesitate to seek advice from other people in the profession who have been able to develop those specialist skills which Mr Benson says are so necessary, would be most valuable.

There is no doubt an understandable and natural reluctance on the part of the ordinary practitioner to hand his clients over, even temporarily, to the mercies of the specialist firm.

'I wonder if from his experience Mr Benson can suggest any ways in which the profession might gradually move into a two-tier system comparable with the legal and medical professions?'

A questioner from Cairo who had recently qualified, asked Mr Benson if he proposed any post-graduate scheme of education for members of the profession who had just qualified and whether articled clerks should spend their time in offices or in industry and commerce.

Mr RONALD WARLOW, T.D., F.C.A. (London), asked if it was possible or feasible to devise some form of interview, perhaps of a Civil Service Commission character, to discover whether a person was suitable to enter the profession.

No doubt the American auditing standards and procedures were first-class, but would the lecturer agree that here the rules were made for the obedience of fools and the guidance of wise men?

Mr D. H. TONKINSON, F.C.A. (Worthing), confessed to a personal interest in paragraphs 60 and 61, which referred to pensions for self-employed persons and payments for goodwill. As he read the paragraphs, reference was made to pensions which one obtained through insurance policies. He inquired if Mr Benson had any facts in mind which led him to make the prophecy that payment for goodwill for professional practices would cease in future.

Mr W. ROGER CARTER, M.A., F.C.A. (Manchester), the final questioner, asked if in paragraph 14 Mr Benson was referring to public companies, private companies, large or small companies. One had in mind that there was one Companies Act, not two. He was in enthusiastic agreement with every word of the two preceding paragraphs under the heading 'Stock-in-trade and work in progress'.

MR BENSON'S SUMMING-UP

In his reply to the discussion, Mr Benson pointed out that on the subject of education he had really begged the question. In paragraph 56 he put a number of questions and refrained from attempting an answer. 'I do not think I am competent or capable of answering them now,' he confessed. 'All I say is that they are questions which have to be answered. I think the President really gave most of the answers this morning when he spoke of the committee set up under Mr Parker to go into the problem.'

Turning to Mr Sansom's main question, he said, 'If the G.C.E. standard were to drop materially below its present standard, I think it would be necessary to re-assess our own standards of entry to the profession. This could be done in many ways, but I doubt whether it would be practicable to require all intending entrants to the profession to sit for the Preliminary examination. A possible method would be to extend the scope, or alter the timing, of the Intermediate examination.

'As to the second part of the question, I would have no objection to a reduction in the term of articles if the candidate had achieved three subjects at advanced level. I would restrict the number of subjects chosen and I should certainly make English one of them.'

On the subject of investigations, he said, 'I do not think a professional man can give an informal opinion or tender advice separately from his firm. In practice everything he says is treated as official and is identified with his firm. On the nature of the investigation, the accountant of the future must be ready to undertake an investigation on the lines suggested in the paper and be ready to give firm opinions which do in fact involve commercial considerations outside the realms of pure accountancy.

'He may sometimes prove to be wrong, but clients do not tend to think less of an accountant because sometimes he is wrong, provided they know that it is an honest and dispassionate opinion given after carefully assessing the facts. Certainly I do not think his reputation as an auditor would suffer.

'This is something on which I feel deeply. I believe unwillingness to take a decision or express a view for fear of being wrong is one of the most stultifying aspects of professional life.'

Independent Approach

In reply to Mr Brazier, he said, 'I do not think that standardization of auditing procedures would be beneficial, nor indeed that it would be practicable. It is for each firm to work out its own procedures. I am satisfied beyond doubt, however, that the principles upon which an audit should be based should be clearly established and known throughout the profession. This at present is not the case. For example, the principle is clear that an auditor must verify the existence and valuation of stock. The procedure he adopts must depend on the nature of the business.'

Mr Ravenhill's contribution had amounted to asking where they were to find the quality of auditor required if the prophecies he had made proved anywhere near true. That was a fair question the consideration of which required a great deal of time and it came back to the question of education. 'I think the answer is that it can only be done by better training before and after qualification,' he added. There should be a greater interchange than at present between industry and the profession and vice versa.

In answer to Mr Bostock, he said: 'I am not sure that in fact I believe in a two-tier profession. I believe in the first alternative put out in the paper because I think it is a better one. I believe that is the most practicable solution; it would benefit the profession and it would give better service to clients.'

The questioner from Cairo had asked if he believed in a post-graduate scheme of education. His reply was, with reservations, Yes, but he had an open mind on whether it should take the form of post-graduate courses or the profession organizing into specialist branches. Whether a student should spend a longer time in commerce before qualifying was one of the subjects which Mr Parker's committee would undoubtedly have to consider and advise upon.

In response to the question of whether it was possible or feasible to make entry to the profession dependent on an interview, he stated: 'I do not think that would be practicable or desirable. It is quite impossible to assess a man at an interview of half an hour, an hour or a day. We have to see him working under proper conditions and the only person who can really decide is his principal who has seen him working for him for a long period.'

To Mr Tonkinson's query about facts on which he based the suggestion that payments for goodwill were likely to come to an end, he replied: 'The only fact which weighs with me is that incoming partners will not be able to pay for it. They cannot afford the burden and misery of paying for goodwill when they first become partners and probably have children to educate.

'In every partnership agreement there should be a requirement that every partner should take out the maximum self-employed pension. That would ensure that when partners are ready to retire they have enough on which to live and to leave the profession sufficiently early to give younger members a chance.'

The final question, as he understood it, had somewhat surprised him. The whole object of observing stock-taking was to check or test the internal check and that was their duty as auditors. 'Unless we observe the stock-taking it means that we have not investigated the internal check on one of the most important aspects of the company's business. In my experience, in no single case where stock-taking has been observed has it not been found that there were weaknesses – very often grave ones – in the system of internal checking.'

DISCUSSION ON MR FEA'S PAPER

'The Future Role of the Accountant in Industry'

Mr S. Dixon, M.A., A.C.A. (Birmingham), prefaced his remarks by saying: 'I am sure that my friend and neighbour, Mr Fea, will forgive me if I show my appreciation of his most interesting and stimulating paper by disagreeing with him violently! I am one of those who thinks he is wrong.

'In particular, I find it difficult to accept his suggestion, in paragraph 67, that there should be alternative articles for the clerk who seeks employment in industry. Believe me, I understand how difficult it is in industry and how necessary it is that he should start at the bottom, as Mr Fea said. Yet during those five years of his training he must tend to be a chartered – not an industrial – accountant, a chartered accountant with everything that means with the background ability to do everything that a chartered accountant may be called upon to do. How are we to know who are to go into industry and who are to go into practice?'

This question impinged on Mr Benson's paper, the whole background of which was that accountants in practice should have a wider and broader outlook. Paragraph 17 of Mr Benson's paper said: 'This requires a much higher degree of skill on the part of the auditor and a wider knowledge of commercial, industrial and manufacturing processes.' Mr Benson wanted to narrow the gulf between the practising and the industrial accountant. 'Can there be a more certain way of widening that gulf than by segregating them at the very outset and giving them a different trend?' Mr Dixon asked. 'Fortunately, I think I can reconcile the views of the industrial and the practising accountant and accomplish the almost incredible feat of integrating Mr Fea and Mr Benson, for, if we turn to Mr Fea's second point – which is fundamental – we find he asks: Is it right that the accountant who ultimately goes into industry should sign articles under which it is agreed that he should be given training which will enable him to acquire the art and knowledge of a chartered accountant in practice?

'I believe those words are as true as ever. Mr Benson has told us why. There is no need to alter the words in the articles; what needs to be altered is our conception of what the art and knowledge of an accountant in practice ought to be.'

Mr C. M. Fox, O.B.E., T.D., B.A., A.C.A. (London), commented that Mr Fea had given a brilliant exposition, supported by facts and figures, of the present and probable future roles of the accountant in industry. In sketching a picture of industry with a glowing reflection of the future prospect, he had drawn attention to their responsibilities for the training of the men and development of the skills which industry would require.

In connection with those responsibilities he asked the following questions: If the Institute is to lead in the field of industrial accounting in the future, is it not essential that a sufficient number of members of the Institute who are employed in industry should be willing on the one hand and enabled on the other, to serve on the Council? If the training of articled clerks is to include a period of service in industry, can effective control and supervision of that training be exercised by the Institute unless members who are employed in industry play a full and representative part in the affairs of the Institute and the activities of the district societies?

Mr A. W. Bowen, B.A., A.C.A. (London), said that the conventional balance sheet gave no indication of how a company had maintained its capital and might well conceal the fact that its true capital had diminished. The conventional profit and loss account overstated the true profit to the extent that depreciation on replacement value exceeded depreciation on historic cost.

Mr Bowen recalled that in *The Accountant* of October 5th, 1957, a most stimulating article by Mr J. F. Allen appeared, setting out the inadequacy of the effort to meet the problem, and in the issue of February 8th this year, Mr A. R. Mutton, of Australia, contributed a further important statement on orthodox accounting. 'Can you, Mr Fea, either defend our conventional methods, or offer hope of a more enlightened approach in the future?' he asked.

More Opportunity for Articled Clerks

Mr H. A. Adams, A.C.A. (London), said: 'Mr Fea has done a lot of crystal gazing and a lot of research, and I think he has done both very successfully. Speaking as an accountant in industry, I find myself in agreement with most of what Mr Fea has said.'

However, he disagreed slightly on the importance of articled clerks, who were dealt with in paragraph 64 of the paper. He would have put them higher in the list of importance, for 'in my view the whole future of our profession, as in any great profession, rests with the young people – in our case, the articled clerks'. From his experience and that of colleagues and from discussions he had had at the autumn meeting, he held the view that the training of articled clerks was quite inadequate to meet the demands of modern industry.

'We hope that the young people will be given far more opportunity of studying such subjects as costing, budgetary control, taxation, management accounting and even committee work,' he said. 'I mention committee work because the industrial accountant spends a lot of time in committees and it is there that he rubs shoulders with people who are in other walks of life –

engineers and scientists, who are extremely well qualified in their own spheres, but some of whom know a little about accountancy. Unless the accountant can express his views clearly, sift the facts and put forward suggestions of how problems can be solved, he will not shape up very well with some of the people on the opposite side of the table.'

As to the practical steps that could be taken to improve the standing of the articled clerk, Mr Adams suggested: 'First, there should be no differential up to the Intermediate stage. Even at that stage the training should be far more practical for both those who intend to enter the profession and those in other walks of life. After the Intermediate stage there should be a definite break. At that time the young accountant should be able to decide his future line and, if he has definitely decided to go into the industrial side, he should be given every opportunity of going into a large organization to get to practical grips with some of the problems of his future career.'

Mr J. W. G. Frith, B.A., A.C.A. (Street, Somerset), suggested that a tremendous number of chartered accountants was not needed in industry. 'I have found that industry is fairly good at training its own accountants up to a certain level,' he observed. He would challenge Mr Fea on the question of the accountant knowing too much about how his industry worked.

'I think industry is seeking only to recruit a limited number of chartered accountants,' he went on. 'I personally would be dead against any suggestion of more than a limited part of the time of the articled clerk being spent in industry. As soon as he gets involved in industry I am sure he loses a tremendous part of the questioning, investigating, analytical approach, which is what industry really needs from chartered accountants.'

Over-cautious Approach

Mr R. O. A. Keel, A.C.A. (London), congratulated Mr Fea on 'a most fascinating and provocative paper, which would set a great many thinking and even more talking on a multitude of points and topics of vital interest to the future of the profession'.

Reluctantly, he limited himself to a single line of thought upon which he invited Mr Fea to elaborate and on which he hoped there might be more comment from the body of the hall. 'We as a profession', he said, 'are far too self-satisfied and smug. We are not – I repeat, not – sufficiently self-critical.

'By the nature of our training as it has been we tend to build up the careful and cautious approach, the reserved opinion, even the pessimistic manner. These are useful and admirable qualities in the right places and on the right occasions, and in the proper dosages. The future of this country depends upon the success of its industry – with a capital I. The success of industry and the extent of that success may well depend on the action and advice of the members of our profession, whether in practice or in commerce.

'Too often we hear accountants labelled as pessimistic, inhuman and advisers of the timid approach. This is bad, not only for us, but also for our country. To the quality of integrity I would add the quality of courage. To the virtue of being able to get on with other people, I would add the need to cultivate friendliness and co-operation. The accountant in industry particularly needs these further qualities, for they will enable him to get closer to the common man and to generate and demonstrate that boldness of original thought and leadership in accounting and accountability which are going to be so urgently needed in the coming years.'

MR FEA'S SUMMING-UP

Dealing with the many points raised in the discussion, Mr Fea said that Mr Dixon was definitely against having alternative articles. An interesting suggestion, which to some extent married up to that, was made by Mr Adams. It was that there should be some divergence of the ways after the Intermediate examination. 'I have an open mind on what form the divergences should take and when,' Mr Fea said. 'I feel this is a matter for very careful consideration. One possible method has been suggested, but there may be many others. I feel strongly that we cannot have one "motorway" through this problem. We have to have some kind of divergence, but I do not think that necessarily means we have to have a gap.'

Also in reply to Mr Dixon, he felt it possible to combine being a chartered accountant throughout one's career in industry and keeping that in the forefront. There were plenty of other industrial accountants, not qualified as chartered accountants, in industry. 'I think Mr Dixon would agree that the responsibility that falls on the industrial accountant ought to be on a more formal basis than it is at the moment.' He added that it was not enough to just contribute to discussions in committees. 'I want to see industrial accountants co-operating much more practically in the training of young accountants. For that reason I have suggested lengthened articles and extra time in industry under the direct responsibility of someone acting *in loco principalis*,' he explained.

He agreed with Mr Keel that there should be more thinking and less talking about their problems, but he hoped there would be thinking behind the talking.

In answer to the plea by Mr Fox that to improve industrial accounting conditions, it was essential for members to be willing to serve on the Council and its committees, he pointed out that at present five industrial accountants were serving on the Council. That development, an entirely post-war one, should be encouraged. 'I feel the real encouragement to industrial accounting must come in the regions and through the training of young men,' he stressed.

'I quite agree with Mr Bowen that we ought to have accounting for changing price levels,' he went on. 'I would join with him in addressing his question to Mr Benson. I do not defend conventional methods, nor does Mr Benson. Mr Adams asked why I reached paragraph 64 before dealing with the articled clerk. That was because I wanted to establish the picture and see the finished product before considering how we should try to produce them. I was very glad to hear that he wishes to improve training – although, obviously, he and Mr Dixon are going to differ! I was grateful to him for the point that there should be some divergence. I certainly think that is so. It might be complementary up to the Intermediate and then have a separate Final examination.'

Mr Keel's suggestion that they needed to stress their shortcomings was a true one, but he had taken up far too much time in talking about the qualities that were wanted. Someone else must write a paper about shortcomings.

THE PROGRESS OF TAX REFORM

With the President in the chair at the business session on Saturday morning, Sir William Carrington, F.C.A., presented a paper on 'The progress of tax reform'.

Sir William Carrington

In his paper Sir William dealt with the reform of those taxes which he said have the greatest impact on the payer: income tax, surtax, profits tax and estate duty. There are, he said, no good taxes, they are an unfortunate necessity. It is the function of a statesman to raise the money which the country needs with the least possible hindrance and harm to the national effort and prosperity. A politician approaches the matter differently: the thoughts of most are conditioned by the fancies and prejudices of their supporters and not a few are unduly influenced by that distrust of change that seems to be endemic in the Treasury and Somerset House. 'Statesmen are rare,' said Sir William, 'hence the complicated patchwork quilt of taxation "up with which we have to put" (apologies for the plagiarism to A Former Naval Person).'

He defined 'reform' as:

(1) the removal of inequities as between one class of taxpayer and another;

(2) the minimizing of the harmful impact on national effort and prosperity; and

(3) the exclusion of unnecessary complications and absurd anomalies.

As to (1) and (2), these may well involve the broadening of the base of a tax with the resultant lessening of the impact by reduction from a very high rate, which latter can seldom be justified except in wartime. In regard to (3) absolute simplicity in taxation is quite definitely impossible of achievement in such a highly complex society as ours, but this is no justification for retaining complexities which are unnecessary or provisions which even the House of Lords cannot construe with unanimity and some of which they have been tempted to reject as meaningless.

He welcomed the legislation introduced over the last fifteen years designed with the object of more nearly ensuring that taxable profits should be struck after making proper allowance for the amortization of expenditure on assets which are used in a business. He considered that the scope of the legislation in this regard still left much to be desired for it was anomalous that no depreciation allowance was granted in respect of commercial buildings such as hotels, shops and offices: that allowances ought to be granted in respect of mining rights in the United Kingdom and that allowances in respect of overseas minerals are unfairly restricted by reference to the cost to the first United Kingdom purchaser.

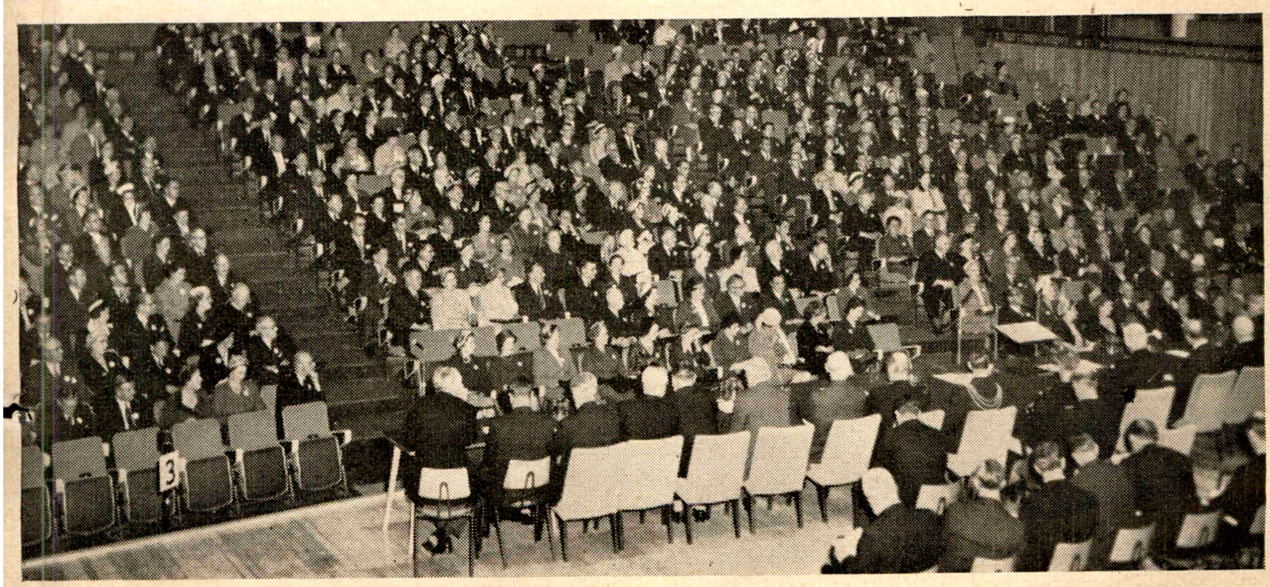
He criticized the effect of the decision of the House of Lords in the case of *Sharkey v. Wernher*, which created the concept that a trader can make a taxable profit by supplying goods for his own use or when he makes a gift to a member of his family; he pointed out that this concept also has the effect of enhancing the loss claims of the 'clean boot farmers'.

Depreciation Allowances and Inflation

In regard to the vexed question of depreciation allowances and inflation, he said that the whole system of basing tax allowances on the historical cost of the assets concerned has been criticized on the grounds that in a period of continuing inflation the cost of depreciation in so-called 'real terms' is higher (since the eventual replacement of an asset will cost more, sometimes much more) than the sum total of the allowances given on the asset replaced. Although there may be something to be said for this argument as a matter of abstract economic theory, once the historical cost basis is departed from complications can be endless. A general formula would have to be laid down for stepping up depreciation allowances by reference to the fall in the value of the £. Moreover, it has to be borne in mind that a vast amount of industrial plant and machinery is financed by borrowed money. Few advocates of the change choose to contemplate that some adjustment would have to be made for this but if no such adjustment were made, would not the equity holder be having a tax allowance for the decline in the real value of the fixed interest and preference capital used in the business? Such decline represents a reduction in the rights ranking in front of him and he gains to that extent. No scheme has been produced which is precise and fair enough between various classes of taxpayers to merit inclusion in a taxing Act. Apart from administrative difficulties there is the overriding question whether the owners of businesses, or of ordinary shares who at any rate are not the traditional sufferers from inflation, should have an additional tax cushion against it, while the owners of, say, debentures and Government stocks are left unprotected. The ordinary shareholder would indeed be a favoured being if he were insulated against much of the disadvantage of inflation while being allowed to retain the advantages.

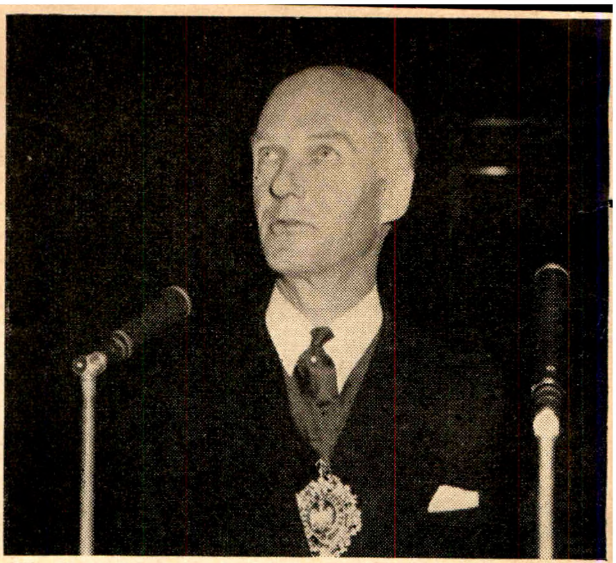
Autumn Meeting Pictures

The platform party during the President's opening address on Thursday.

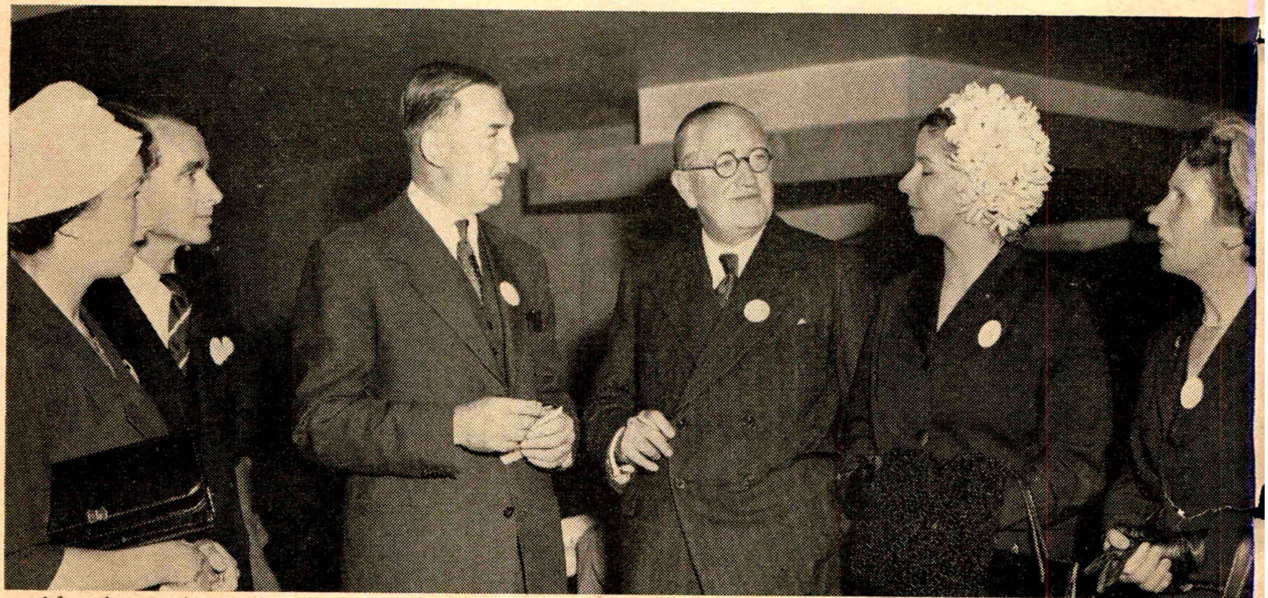


A general view of the assembly during the opening session.

Mr C. W. Aston, A.C.A., Chairman of the Autumn Meeting Committee, speaking at the opening session.

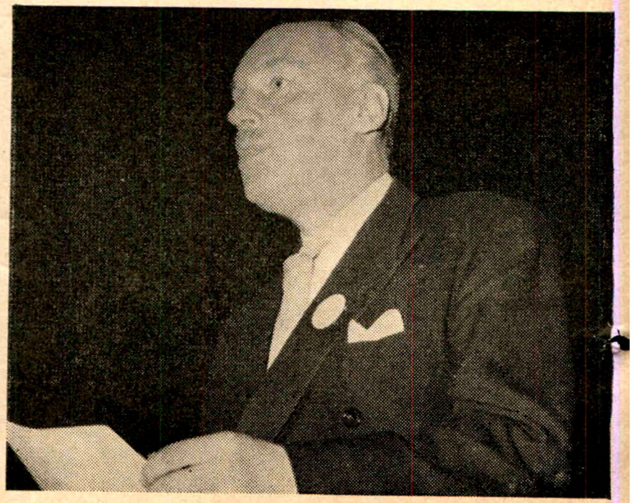


The Lord Mayor welcoming members and their ladies at the meeting on Thursday.

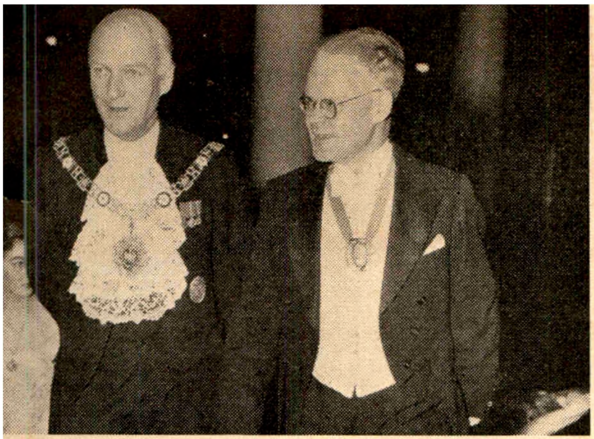


After the opening session. (*Left to right*): Mrs Wells, Mr J. D. Wells, A.C.A., Mr M. S. Barker, F.C.A., Mr G. D. F. Dillon, B.A., F.C.A., Mrs J. F. T. Nangle, Mrs P. F. Allday.

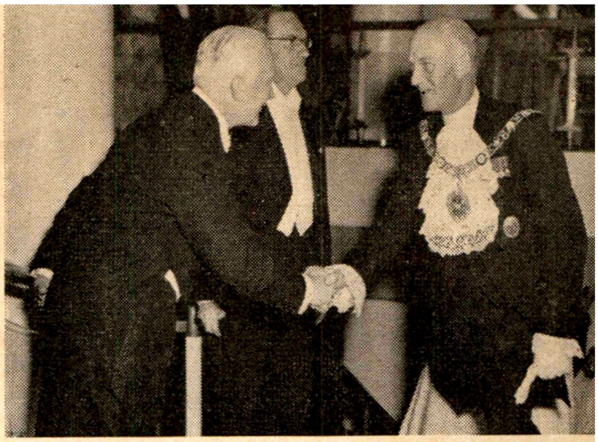
The President and Mrs Barrows.



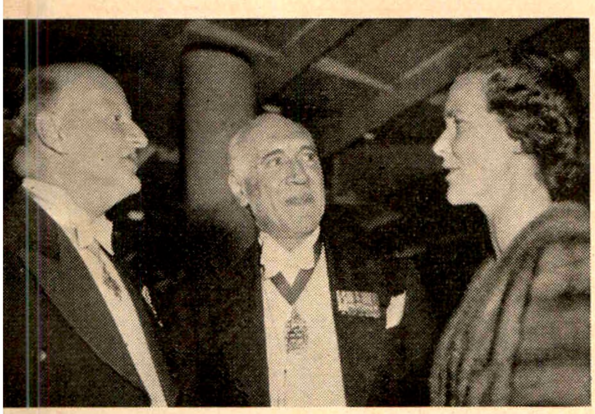
Mr C. J. M. Bennett, B.A., F.C.A., Honorary Secretary of the Autumn Meeting Committee.



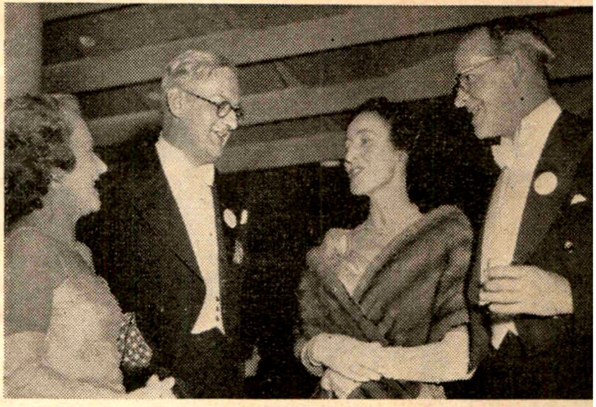
The Lord Mayor, with Mr Aston, on his arrival at the reception on Thursday evening.



The President greeting the Lord Mayor at the reception.

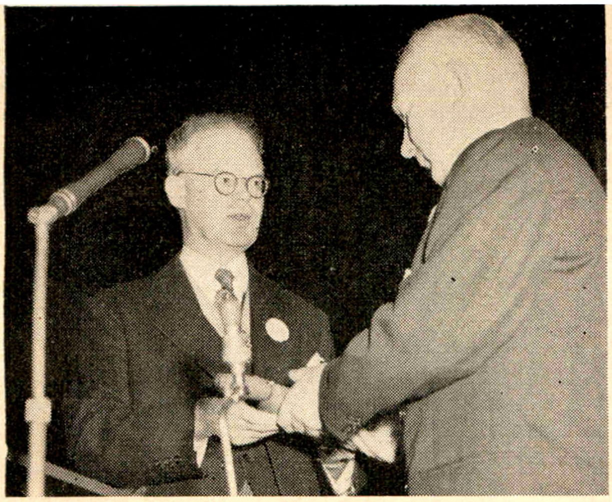


Mr L. E. Peppiatt, M.C., President of the Law Society (*centre*), with Sir Thomas Lund, C.B.E., Secretary of the Society, and Mrs Lawrence Robson.

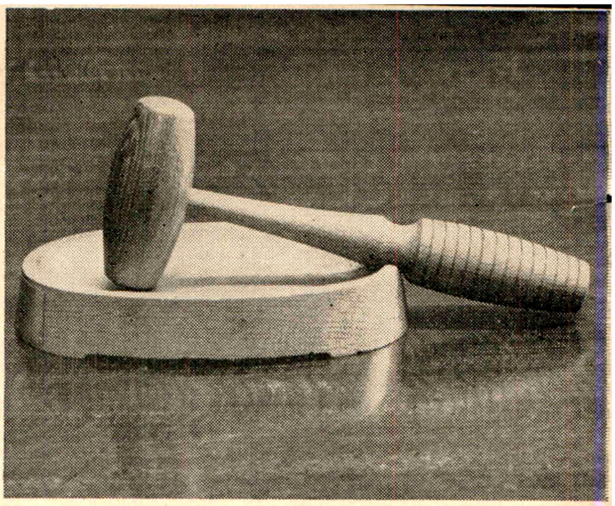


At the reception (*left to right*): Lady Carrington, Sir William Carrington, F.C.A., Mrs Talbot, Mr J. E. Talbot, F.C.A.

Left to right: Mrs Cheyney, Mr L. F. Cheyney, F.I.M.T.A., F.S.A.A., Secretary, The Institute of Municipal Treasurers and Accountants, Mr F. C. Osbourn, M.B.E., B.A., LL.B., Secretary, The Association of Certified and Corporate Accountants, Mr J. E. Harris, B.COM., F.A.C.C.A., Vice-President of the Association, Mr J. W. Hough, O.B.E., F.I.M.T.A., President of The Institute of Municipal Treasurers and Accountants, and Mrs Hough.

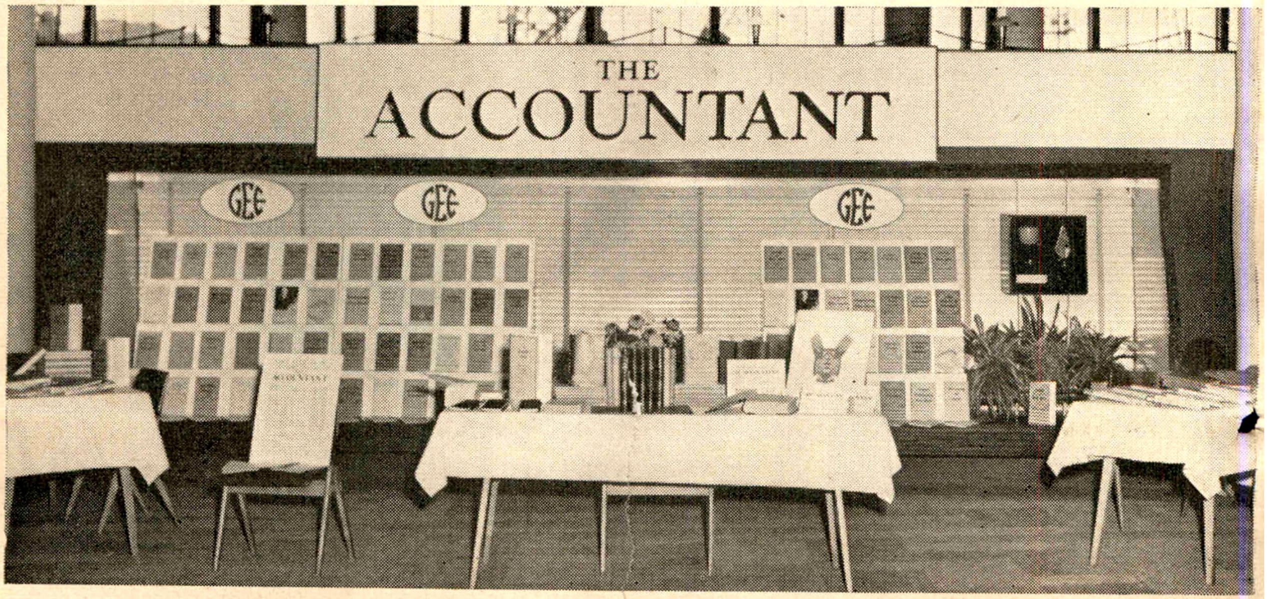


Mr Aston (*left*) presenting the inscribed gavel and block to the President at the closing session on Saturday.



The gavel and block presented to the President on Saturday which is to be used at future autumn meetings of the Institute.

Dancing in progress at the Royal Festival Hall on Thursday evening.



Gee & Co's bookstall at the Royal Festival Hall.

Flags of Convenience

The phenomenal growth in the merchant fleets operating under flags of convenience is not, in his view, an illustration of the inadequacy of our system of capital allowances for tax purposes. It is the very alarming result of our having a powerful set of competitors operating completely tax free.

In peacetime the merchant navy is a vital economic factor in the life of the United Kingdom and the Commonwealth whilst in times of war our very existence and survival depend on it. Neither orthodoxy nor precedent should be allowed to stand in the way of reaching a solution which will enable Britain to have a merchant fleet adequate to our needs both in peace and war. Taxation does not represent the whole story but he suggested that the answer might be to proceed on the lines adopted in the legislation relating to overseas trade corporations, that is, to exempt United Kingdom controlled shipping companies engaged in foreign-going services from all taxes on their trading profits and to tax instead interest paid on debenture and loans stocks and dividends paid to shareholders as and when such are distributed.

Sir William considered that legislation should be introduced to assess company profits on a current year basis, the preceding year basis being not only illogical but also giving rise in some cases to major hardship and sometimes facilitating tax avoidance. Such amending legislation, he added, would also help in removing the injustice under which one year's double tax relief was in certain circumstances lost.

He deplored the fact that the recommendation by the Royal Commission on the Taxation of Profits and Income in 1955 for the liberalization of the Schedule E expenses rule had not been acted upon except for the very limited relief introduced this year for the allowance of professional subscriptions. On the other hand, the reform in the basis of assessment of earnings under Schedule E introduced by the Finance Act, 1956, was to be welcomed, especially as the effect was to lay more stress on the place where the duties of the employment were performed than had hitherto been the case.

Surtax

regard to surtax he said that the case for increasing he exemption limit of £2,000 is really unanswerable when the decline in the value of money since the limit was fixed at that amount is borne in mind, and that in particular the earned income relief ought to be added to the exemption limit as an incentive to management and the professions.

In the field of company surtax it was not right that directions to surtax should extend to the whole of the company's income regardless of the company's commitments. Sir William said that he would like to see legislation introduced confining the liability to that part of the income which the company could reasonably have distributed.

Speaking of profits tax he welcomed the removal of the higher rate of charge on distributed profits and the removal of the vast potential liability to distribution charges which has been built up during the currency of the two-tier system. He understood that by the time the flat rate was adopted in April something like £18,000 million of profits had been charged at the undistributed rate only.

He was in favour of a further simplification of company taxation by having, instead of income tax and profits tax, a single flat rate charge on all company profits; this would be independent of the standard rate of income tax but credit would be given for it up to the standard rate in assessing dividends which, under the system he had in mind, would be assessable to income tax on much the same lines as are dividends from overseas trading corporations.

Estate Duty

After criticizing the obscure language and complexities of the estate duty legislation, Sir William stated that there was a pressing necessity for the legislation to be consolidated and he hoped that at the same time the more archaic provisions would be revised and brought up to date, thus achieving a measure of rationalization and simplification. He did not support the introduction of a capital gains tax in view of its detrimental effect on the encouragement of enterprise and initiative. He was also against the introduction of an annual tax on capital or an expenditure tax, as in his view neither could be administered satisfactorily.

He expressed the view that the present rates of estate duty were far too high and that the existing system worked very unfairly. Consideration should be given to recasting the system so that instead of fixing the rate by reference to the total estate, the duty should be charged by reference to distinct slices as in the case of surtax.

DISCUSSION

r J. E. TALBOT, F.C.A. (London), the first speaker the ensuing discussion, referred to the Domicile Bill which had been introduced in the House of Lords as a Private Member's measure. If passed into law in its present form, he said, the Bill would radically affect the income tax and estate duty liabilities of a number of individuals.

Under the law of domicile as it had stood hitherto a great deal of emphasis had been placed upon an individual's domicile of origin. In consequence, where overseas nationals had come to live and work in this country for some years, in nearly all cases they had been recognized as having retained their overseas domiciles. As a result, if they were employed in this country by an overseas employer, they were taxed only on remittances from their remuneration and from any overseas investment income. If they died in this country, estate duty was payable only on such property as they possessed in this country.

'The Domicile Bill would completely alter the position by changing the legal presumptions for determining an individual's domicile,' he continued. 'It would enact as general rules, first, that a person's domicile is in the country in which he has his home and intends to live permanently and, secondly, that a person who has a home in a country is presumed to intend to live permanently in that country.

'It is likely that the main class of people who would be affected is the considerable colony of Americans working at the British headquarters of their American employers. It is hardly surprising that they have been feeling misgivings about the Domicile Bill. Only two years have elapsed since a short provision was inserted in the Finance Act, 1956, especially to exempt from income tax on earnings not remitted to the United Kingdom this class of persons, who would again be placed in jeopardy by the present Bill. For many years London has been chosen as the European headquarters of a number of major overseas organizations, but Paris, Rome, Brussels and other places have their attractions – which may well grow as the European Common Market gets fully established.

'I submit that we should take care not to enhance the claims of our rivals. Sterling is not yet so strong that we can afford to throw away the dollar and other currency earnings which these visitors bring us, or the other financial and commercial advantages which result from the establishment in this country of their European headquarters.'

Taxation of Shipping Profits

Mr S. C. Cooke, B.A., A.C.A. (London), commented as a shipping accountant on what Sir William had said about taxation of shipping profits. The paper suggested that United Kingdom controlled shipping companies engaged in foreign service should be exempted from tax on their trading profits, and tax levied instead on debenture and loan stocks, interest and dividends paid to shareholders.

'I feel that the shipping companies concerned would wish to approach the suggestion with a great deal of caution,' he said. 'Such a change in the United Kingdom basis of taxation might well upset the reciprocal agreements between us and certain other countries relative to taxation of shipping profits. Our position might conceivably be worse than it is now.'

Turning to investment allowances and methods to make them more effective, Mr Cooke said: 'If a ship owner is engaged on a heavy replacement programme it may happen that some of the profits are insufficient for him to receive more than a fraction of the relief the allowances are intended to afford until some years after the expenditure is incurred. It is the heavy taxation of previous profits, combined with ever-increasing replacement costs, which has placed such a heavy strain on cash resources available now for replacement.

'Is it not therefore logical to suggest that investment allowances which remain unabsorbed by current trading profits should first be applied as a set-off against investment income and then be carried back – instead of forward – and a refund made to tax paid in past years?

'I am aware that in putting forward that suggestion I am making what amounts to an *ex parte* proposal of marriage between income tax and logic and the two are not always known to be linked together in harmony!' (*Laughter.*)

Mr E. C. Meade, A.C.A. (London), took up Sir William's reference to withdrawal, a year ago, of the Chancellor's 'umbrella' in connection with company surtax. When the Special Commissioners were considering the making of a direction in the case of a company which, for some reason or other, had failed to remain under the shelter of the 'umbrella', they were prepared to ignore the rigours of the penal legislation, provided that the company in question agreed to pay a belated dividend which, in their view, represented a reasonable distribution of income for the period concerned.

Moreover, it was usually found in such cases that they were prepared to consider as reasonable a distribution equal to approximately 30 per cent of the net profits of the company for the period. 'We have now come to the position where the Chancellor has furled his "umbrella" and the Special Commissioners have resolutely refused to issue a policy statement on these matters', he said, and he asked Sir William to comment on a number of points.

'Firstly,' he asked, 'dealing with the matter in its broadest aspects, would you agree with me that it is highly undesirable that the practice of the Special Commissioners in this regard should be so far removed and contrary to the legislation on the statute book? If the Inland Revenue are convinced – and their present practice seems to support the view that they are – that in equity a direction to surtax should be limited to that part of the company's income that could have been reasonably distributed, surely it is high time that the process of tax reform should be pursued a step further, so as to amend the legislation to bring it into line with the current practice, thereby giving effect to the recommendation of the Royal Commission? Can you see any difficulties that prevent this being done?

'Turning to the present state of affairs, can you give us any guidance as to the policy of the Special Commissioners in such cases, now that the "umbrella" has been furled? Will they continue to be prepared to agree to forgo making a direction if the company under inquiry agrees to pay a belated dividend which they consider to be reasonable? Can you offer any guidance as to the percentage distribution of available profits that it can be assumed will satisfy the Commissioners, bearing in mind that dividends in future will no longer affect the calculation of the charge to profits tax?

'Lastly, I would value your opinion, Sir William, on the desirability of applying for clearance in respect of accounting periods ending after the date of the furling of the "umbrella".'

'Tactics of Taxation Reform'

Mr E. K. Wright, M.A., F.C.A. (London), combining a comment with a question on what he describe[illegible] 'the tactics of taxation reform', caused laughter [illegible] saying that they would all be very much obliged [illegible] Sir William would tell them of the twenty-five ways of tax avoidance. Turning to his main purpose, he said that for ten years a great deal of work had been done in preparing a detailed blue-print of the strategy of reform. In that work, the Institute and Sir William had played a notable part and the results were to be found in the reports of the Millard Tucker Committees and the Royal Commission on Taxation. Those documents contained more than 150 recommendations, which were concrete proposals for reform.

'I think we are agreed that the majority of them are desirable and ought to be enacted as law as soon as possible,' he observed. 'A great deal has been done already. We should be interested to know whether Sir William thinks that reasonable progress has been made. There have been great advances in the treatment of losses, overseas trade corporations, the abolition of the double-tier profits tax, the taxation of annuities, provisions for retirement benefits for the self-employed, and so on. In spite of all the Parliamentary activity in the past few years, however, my guess is that only about one-quarter of the recommendations have been implemented. Probably there are at least eighty worthwhile proposals still to be dealt with.

'Why is progress so slow? I do not think the answer is that the proposals are politically or economically undesirable, or that the Revenue are directly opposed to many of them. I think the answer is that, on the one hand, pressure on Parliamentary time is so great and, on the other, that the Revenue have an innate conservatism natural to a body which carries responsibility for making an enormously complicated machine work – they naturally prefer the devil they know.

'It is here that tactics come into the picture. If we ask too much at once we shall be baying for the moon. Year by year we should concentrate, not on what is desirable, but on what is practicable. I should like to suggest that one of Sir William's proposals ought to receive attention this year – the actual year basis for the assessment of profits under Schedule D.

'All of us here know of the formidable complexities of the previous year basis and of the commencement and cessation provisions. I am sure articled clerks will agree! A much needed breath of realism would be brought into the fiscal system if tax could be payable on actual profits of the year, instead of those of some other period.'

Finally, Mr Wright asked the following questions:

(*a*) Whether Sir William thinks a change-over to the actual year basis is practicable?

(*b*) Whether it will be possible to achieve it except by a firm directive from the Chancellor similar to that which Sir Kingsley Wood gave during the war, and that Schedule E should be put in an actual basis?

(*c*) Whether the Institute could help to bring about this reform by making representations now to the Chancellor on this single point, or alternatively, by the President referring to the matter in his public speeches?

He pointed out that Sir William had already answered the first of these questions, but he still asked it because it was most valuable to have the [illegible]er emphasized.

Mr P. LIVINGSTONE ARMSTRONG, F.C.A. (London), drew attention to other aspects of tax reform mentioned [illegible] Sir William and also by Mr Wright. 'As Sir William [illegible] the reform we all would like to see most would [illegible] a substantial reduction in tax both on individuals and corporations, directly and indirectly. Britain, more perhaps than any other country, depends on its industry and the initiative, opportunities and incentives given to our people. I emphasize this because we have the best managements and best workers in the world.'

Mr Wright's remarks had shown that much had been done by the Institute and its committees to help in dealing with this tax problem. Sir William's work was known all over the world. Accountants could play an important part in advising on the evils of restriction and the need to safeguard profits and working capital for enterprise. This problem must be faced increasingly in future. 'Our profession is developing; I should like younger members especially to realize that their work can and must be constructive,' he stressed. 'In our modern society tax work is vital for the protection of the taxpayer, but the accountant should never forget his duty also of advice for the prosperity of his clients and, ultimately, for the future of this country.'

A Strong Plea

Mr W. ROGER CARTER, M.A., F.C.A. (Manchester), endorsed what had been said by Mr Talbot about the Domicile Bill. He suggested that the Institute should make a strong plea that ample time should be allowed for further and better consideration of the fiscal implications of the Bill.

He quoted Sir William's reference to Sections 46 and 55 of the Finance Act, 1940, which: 'were originally conceived as a counter to deliberate estate duty avoidance by the device of vesting one's fortune or one's business in a private company. But these provisions are so framed as to hit cases where a trade is necessarily carried on by means of a company.'

'As I understand the position – and I have some experience,' he said, 'Section 46 is invoked in practice only in cases where steps have been taken by the taxpayer which are considered by the Estate Duty Office – usually broadly and reasonably considered – to be of an evasion character. One has in mind that these provisions are pre-eminently "of unrivalled complexity and difficulty, and couched in language so tortuous and obscure" as to be "meaningless". Notwithstanding that, I should be grateful if Sir William would tell us whether he agrees with my comment that in practice Section 46 is not usually invoked in unreasonable circumstances.'

Mr N. B. HART, O.B.E., T.D., D.L., M.A., LL.B., F.C.A. (Brigg), suggested that the pamphlet issued by the Special Commissioners 'for sheer ingenuity and complexity' rivalled the 1940 Finance Act, a description of which Mr Carter had just quoted. 'If that is the Inland Revenue's idea of tax reform, we have a long way to go,' he declared.

The root of the trouble was legislation by reference. The sections referred to in the pamphlet were bad enough, but when a completely new section was imported, the matter became almost unintelligible. 'To push that out to all and sundry who know nothing about income tax seems the absolute height of uselessness,' he said. 'It means a great deal more work for us, for which we hope to get paid, but I should have thought that the Revenue could have explained in words of one syllable what they are trying to get at. If this back-door method of legislation by reference cannot be avoided, at any rate they should take steps to make their issues of literature intelligible to the people who receive them.'

Compensation for Loss of Income

Mr E. N. MACDONALD, D.F.C., F.C.A. (Liverpool), asked Sir William to clarify the point he had made about loss of tax resulting from compensation for loss of income, following the *Gourley* decision. Those payments in the ordinary way would be met either by insurers or traders whose taxable profits would be diminished by allowing the payments as an admissible deduction.

'If an adjustment is made to the payment, *ex hypothesi*, the compensation itself would not be taxable in the hands of the recipient,' he said, and asked: 'Is there, therefore, any loss of tax to the Revenue and any financial stimulus to amend what we all regard as a very unsatisfactory position?' The danger was that in certain cases where compensation payment was in doubt as to assessability there might be the spectacle of a Court sitting on a breach of contract and in effect deciding a hypothetical tax position without adequate argument on either side.

He raised a further point on the section of the paper dealing with subvention payments. There, Sir William gave a salutary reminder that there must be an agreement or deed making the subvention binding and that if there was an agreement some identifiable consideration must pass from the payee to the payer. 'I wonder if Sir William would agree that this is simply a piece of draftsman's pedantry?' he asked. 'Here we have an entirely benevolent section. It applies only where there is a 75 per cent association between the companies concerned and we have to scratch around for illusory, or even derisory considerations alleged to move from the payee to the payer. Would it not be a reform to scrap that altogether and make it a valid contribution and no more?'

SIR WILLIAM CARRINGTON'S REPLY

Replying to the questions and comment, Sir **William Carrington** dealt at considerable length with the many interesting points that had been raised.

He stated that he had made no reference to the Domicile Bill because his paper was written before that Bill was made public. 'As Mr Talbot said, the Bill has the most serious tax implications,' he observed. 'I know that the Private Member of the House of Lords is a very distinguished lawyer. I know he said he had no tax considerations in mind in introducing it, but it will have most serious repercussions if it becomes law. The American community have busied themselves in studying it and making representations in the appropriate quarter. I should not like members to think that the Council has been idle on this matter. The appropriate committee of the Council is actively studying this Bill and studying its tax repercussions and I think it can be safely assumed that representations as to the possible results of the Bill will be made in the proper quarter. A question was asked,' said Sir William, 'about whether it would be possible to exclude tax from the ambit of the Bill. I am no Parliamentary draftsman, but I should have thought the answer is "Yes," and I hope that will be done.'

Shipping Company Problems

He then turned to Mr Cooke's remarks about difficulties in which shipping companies found themselves, and said: 'As to repercussions abroad of any such proposal as I threw out for consideration, that is a matter for consideration by those affected. I am not introducing a Bill; I am merely bringing out this idea for consideration. I have no doubt that the Chamber of Shipping – ably led by Mr Aston – if they do not like the proposal, will not be long before they let the Inland Revenue know. It is not the practice of shipping companies to mute their loud hailers.' (*Laughter.*)

He thought the proposal that investment allowance should be set off against investment income was fair and just, but added that the carrying back of investment allowance would be going a bit too far. 'We must draw the line somewhere,' he insisted, 'and if you carry back investment allowance why should you not carry back personal allowance when a person's income drops below his subsistence line? The individual needs food, clothing and shelter to maintain life and the shipping companies need capital to maintain their services and we require their services, but I feel we must draw the line somewhere.'

Taking points made by Mr Meade about companies' surtax, Sir William emphasized: 'I have said in my paper and I repeat categorically that in my view the legislation should be turned round so that in the event of a direction being made it should apply only to that portion of the profits which the Special Commissioners, and if necessary, the Board of Referees on appeal, decide is a reasonable proportion to distribute. If the Special Commissioners are able to say something is unreasonable it should not be beyond their mental capacity to say what is reasonable.'

He had been asked about guidance on policy, but he was not in the confidence of the Special Commissioners and could not say what policy had been laid down for them. 'But my experience shows that it is still possible to buy them off on occasion,' he added. 'That is to say, if you are attacked, you can go and arrange a retrospective dividend.'

Capital Commitments

As to the proportion of the profits to be distributed, what was, as the Act said, 'reasonable'? A company proceeding on lines common to British industry generally, had certain capital commitments and had an expansion programme in mind. Guidance might be found in the national statistics as to what a typical British company might do in the matter of distributions. 'You find that the proportion of profits distributed is something around 30 to 35 per cent of the profits available,' he said. 'That is to say, the proportion of the net dividend to the net profit after tax.

'My view is that one can look at that factor, that proportion of distributed profit, and take heed of it. I would strongly maintain that with the present uncertain economic future it is perfectly reasonable for a company to distribute not more than 30 to 35 per cent of its available profit. In the generality of cases my target figure would be 35 per cent and I do not think the Special Commissioners would quarrel unduly with that.'

On the question about clearance, Sir William said: 'I am a firm believer in removing doubt and uncertainty and, therefore, in companies which are [illegible] the scope of this legislation applying for clearance.'

Mr Wright had said there were twenty-five or forty – he forgot which – ways of avoiding remittances. They would all like to know what those ways were. (*Laughter.*) It was of tremendous importance that large international companies should have headquarters in this country. It was extremely important that staff could be switched from one country to another. 'We should not do anything which would drive those headquarters away from here,' he said, 'nor anything which prevents the flow not only of capital between one centre and another, but the flow of ideas, technicians and so on.

'Therefore, taking a rather broader view than the merely theoretical one, I think the preservation of the remittances basis for people of overseas domicile working here on behalf of overseas companies is justified on the grounds of practical politics.

'The second point of Mr Wright's remarks concerned what tactics should be employed. I do not want it to go out from this room that the Institute is a pressure group. It is not. The purpose of the Institute, as I understand it, is to call the attention of the Chancellor to inequities and anomalies in the tax code and to call attention to administrative difficulties and to advise the Chancellor and the Board of Inland Revenue when Bills are produced as to whether we think they will work or not.

'I entirely agree with the point of substance that Mr Wright brought out – namely, that it is high time that the basis of assessment was changed to that of the actual year, and I trust that the President and others will bear that in mind in public speeches. I think I may say that the committee which is responsible for making representations on Finance Bills and for having discussions with the Treasury and the Board of Inland Revenue will not forget this point either.

'I do not think the Board of Inland Revenue are unsympathetic to this idea in principle. I think they may have to be persuaded that, in their own words, it is administratively possible. From such experience as I have had in committees and the like, I think it is possible. I think it high time the Inland Revenue took their courage in their hands and went forward with the implementation of this idea. It took a long time for the idea of pay-as-you-earn to be accepted within the Board of Inland Revenue, but it was accepted, and now no one thinks anything more about it. It might be, therefore, that before long we shall see something of what we want in regard to basis of assessment.'

Mr Armstrong had referred to the burden of taxation. 'The real burden is undoubtedly the high rate,' commented Sir William. 'I am absolutely convinced of that. We shall never get real alleviation of the burden on industries and individuals until the rates themselves are lowered.'

Masked Threat

He agreed with Mr Carter that Section 46 of the 1940 Finance Act was an anti-avoidance provision and that in the vast majority of cases it was never brought into play. 'My objection to it in the past – I am glad to say I have not noticed this recently – has been that on occasion when agreement has not been reached in regard to the valuation of shares in private companies, Inland Revenue officials have trotted out Section 46 as a kind of masked threat and have wondered if it might be applied in such cases. I will not call it blackmail,' said Sir William, 'but as long as that section is on the statute book it represents a potential danger, despite the fact that on more than one occasion the Chancellor and Revenue spokesmen have said it is anti-avoidance legislation. It is too cumbersome, too complicated, too widespread and, along with scores of other estate duty matters, it needs polishing, clarifying and compressing.'

He was glad to know that Mr Hart had arrived at a proper understanding of the Special Commissioners' circular and was able to advise his clients upon it. (*Laughter.*) 'Personally,' he said, alluding to the visit to Drury Lane the previous evening, 'I feel like the songster last night – I shall need "A little bit of luck" to get over that. As for a description of it, Eliza Dolittle had the word!' (*Further laughter and applause.*)

Passing to Mr Macdonald's question, Sir William said there might not be loss of revenue to the Treasury as a result of the *Gourley* decision, because in nearly all those cases the recipient was not taxable on the sum he received, whether those sums had or had not been diminished by the Court by reference to the tax factor. 'But my point is, why should the wrongdoer be let off for a smaller sum because the House of Lords has said that the Court must take into account the impact of taxation? I know this is a controversial point. It is not a fiscal point, but a moral one and when you get moral points brought out, personal opinions are uppermost. Each man has his own opinion, but you will remember that the committee of very eminent legal gentlemen which has been considering this point was unable to reach anything like a unanimous opinion. There were three different lines of thought. Each line of thought was backed by people for whom one has the utmost respect by reason of their learning, experience and integrity. I put forward my view in my paper but I fully appreciate that others may have a different view.'

He did not think the provision in regard to subvention payments was purely 'a draftsman's plaything' in referring to the necessity of an agreement. 'I have reason to believe that the draftsman had in mind the principles of company law and administration', he said, 'and felt that unless there was an agreement, the directors might be held to be acting *ultra vires* if they sanctioned a gratuitous payment by a company for which they were responsible.

'As I have endeavoured to point out in my paper, it is not necessary that the consideration should be adequate, but surely there is no great difficulty in identifying the consideration. All that is needed is an agreement between the two companies to share one anothers' losses up to a stated figure, or the figure may not be stated. Then you have a consideration passing from the recipient in that the recipient has made a promise to make a payment in a future year if the other company sustains a loss.

'Personally, and to be on the safe side where the figures are likely to be large, I prefer to have a deed; but that may be an excess of caution. However, we must have an agreement and an agreement, when the word occurs in an Act of Parliament, means one that is enforceable and there must therefore be an identifiable consideration if the agreement is not under seal.'

A vote of thanks to Sir William Carrington was proposed by Mr CECIL C. TAYLOR, J.P., F.C.A. (Liverpool).

CONCLUDING SPEECHES

The President's Thanks

At the conclusion of the business session the President expressed the thanks of all attending the autumn meeting, to the London and District Society for the admirable arrangements, in particular to Mr C. W. Aston, 'the indefatigable chairman', Mr C. Romer-Lee, honorary treasurer, and Mr C. J. M. Bennett, the honorary secretary of the Society's Autumn Meeting Committee. He also thanked individually the chairmen of the sub-committees: reception, Mr J. D. Russell, M.A.; excursions, Mr N. Cassleton Elliott, M.A.; printing, Mr G. F. Ansell; ladies, Miss Ethel Watts, B.A.; and golf, Mr L. R. Elcombe, together with Mr E. K. Wright, M.A., the Society's immediate past chairman, to whom had fallen a great deal of work in the early stages of planning for the meeting.

'Unless one has gone through it oneself,' the President said, 'it is almost impossible to appreciate the enormous amount of work involved in organizing a meeting of this kind, particularly in London. From what members and their ladies have told me, I believe the conference has gone extremely well!' (*Applause.*) They were grateful to the distinguished members of the Institute who had produced such outstanding papers, and to all who had assisted in any way in connection with the meeting.

The next autumn meeting, he announced, would be held in Blackpool.

Mr Aston's Reply

In reply, Mr C. W. Aston said that it was entirely due to the members of his committee that the meeting had run so well. He expressed appreciation to the Royal Festival Hall authorities for the excellent arrangements they had made.

Mentioning the great encouragement given by industrial and commercial organizations by enabling members of their staffs to attend the meeting, he said: 'I hope that the interest in Institute affairs that this has created will prosper and be sustained. As you have mentioned, one result of integration will be an increase in the number of branches and groups. That increase cannot take place unless there are people to run the branches and groups. The present committees of the district societies are fully taken up with running the affairs of the main societies. They cannot form branches in outlying areas without enthusiastic leadership in those areas.' The President's opening address on Thursday had shown that there was a great deal of work for those able and willing to work in district society affairs.

A Presentation

Mr Aston then asked the President to accept, on behalf of the Institute, a gavel and block for use at future autumn meetings. This would, he said, form another link in the chain of associations which the Institute had with the City, for the gavel and block had been fashioned from timber salvaged from St Swithin's – an ancient City church which had survived the Great Fire of London, only to be blitzed during the last war.

Expressing his pleasure, the President accepted the gift on behalf of the Council, and said that he would suggest that it should be kept in the Members' Room or the Library at the Institute, where it should remain in safe keeping for use at forthcoming autumn meetings.

This ended the formal proceedings of the conference.

SOCIAL PROGRAMME

RECEPTION AT THE ROYAL FESTIVAL HALL

The Lord Mayor of London, Sir Denis Truscott, was the guest of honour at the reception and champagne supper held at the Royal Festival Hall on Thursday evening. Members and ladies were received by Mr and Mrs Aston and Mr and Mrs C. U. Peat, together with the President and Mrs Barrows and Mr and Mrs J. D. Russell. Dancing to Jack Barker and his band continued until 1.30 a.m.

During the course of the evening, the President was presented with a silver rose bowl by the chartered accountants of W. & T. Avery Ltd, of Birmingham, of which company Mr Barrows is chairman.

VARIED TOURS ON FRIDAY

Seven whole-day tours and four afternoon tours were held on Friday. The most popular of the whole-day tours was that to the factory of the Ford Motor Co Ltd at Dagenham. Eighty-two members and ladies took part, and left the Royal Festival Pier at 11 a.m. The weather for the river cruise to Dagenham was fortunately sunny and lunch was served on board.

On arrival at the Ford jetty, the party was divided into small groups in order to see the various machine shops and the tractor, engine and car assembly lines. After a most interesting afternoon, members and ladies returned to London by boat.

Another popular visit was that to the paper-making factory near Gravesend of the Bowater Paper Corporation. After lunch at *The Clarendon Hotel*, Gravesend, the party was greeted by Mr C. G. Rye, A.C.A., Financial Comptroller and Director of the Corporation, and an interesting tour of the mills was made.

Fifty-eight members and ladies visited the Royal Naval College, Greenwich, the National Maritime Museum and the *Cutty Sark*; the party travelled to Greenwich by boat. The visit to the National Maritime Museum proved of great interest and afterwards the party was shown round the Royal Naval College by Professor J. G. Bullocke. Members and ladies were also able to see the famous tea and wool clipper, the *Cutty Sark*, in its permanent dry dock near the College.

A party of fifty-seven members and ladies visited London Airport and were taken on a comprehensive tour of the various airport buildings. Both lunch and tea were taken in the airport restaurant.

Other interesting whole-day visits were made to

The President and Mrs Barrows with the silver rose bowl presented to them by the chartered accountants of W. & T. Avery Ltd.

Hatfield House and St Albans, Cambridge, and Hampton Court, Windsor and Eton.

Afternoon Tours

A party of nearly one hundred members and ladies enjoyed an afternoon cruise in the Port of London Authority's yacht *St Katherine*. The *St Katherine* sailed from Tower Pier and visited the Port of London and the Royal Docks; tea was taken on board. Other afternoon visits were made to the Houses of Parliament, where members had tea in the Members' Room by courtesy of Mr J. Diamond, M.P., F.C.A.; to the factory of Yardley & Co Ltd at Stratford, and to the Television Centre, White City, and afterwards to the Television Studios at Lime Grove.

THEATRE

On Friday evening, about five hundred members and ladies enjoyed a performance of *My Fair Lady* at the Theatre Royal, Drury Lane.

LADIES' PROGRAMME

On Thursday afternoon, while the first business session was taking place, the ladies had the opportunity of attending a matinée performance of *Not in the Book* at the Criterion Theatre, or of seeing a dress show organized by Debenham & Freebody Ltd, in the Orchid Suite of *The Dorchester Hotel.*

During the business session on Saturday, the ladies enjoyed a special programme which included a tour of City churches and a West End tour. The ladies afterwards joined members at the Royal Festival Hall for cocktails, which brought the successful 1958 autumn meeting to a close on an enjoyable and informal note.

GOLF COMPETITIONS AT SUNNINGDALE

The beautiful Sunningdale course and Sunningdale Ladies' course were the scene of the golf competitions held on Friday. Although conditions underfoot were not ideal, the weather was fine, and forty-two members and nine ladies took out cards. The results were as follows:

MEMBERS

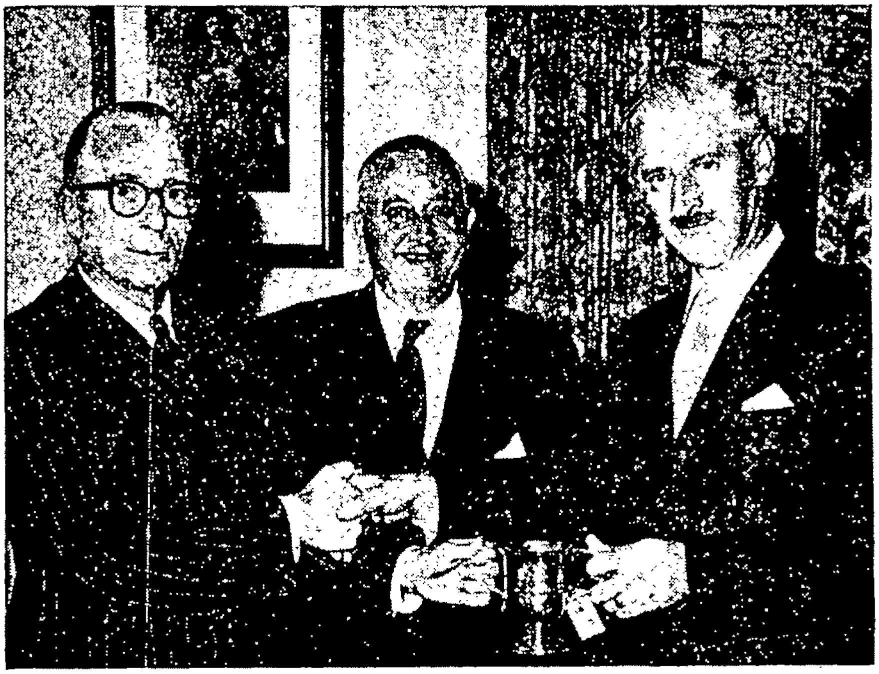
R. E. Holt ..	31+ 4⅞=35⅞	Wins Scratch Prize
C. H. Austin ..	13+21 =34	Wins First Handicap on last nine holes
G. L. Weiner ..	20+14 =34	Wins Second H'dicap
J. B. Selier ..	13+20⅛=33⅛	
D. V. House ..	17+15¾=32¾	
R. G. Pegler ..	25+ 6⅛=31⅛	
R. F. George ..	24+ 7 =31	
F. Horner ..	17+14 =31	
P. F. Allday ..	21+ 9⅝=30⅝	
H. P. Patterson ..	13+17½=30½	
W. K. Wells ..	14+15¾=29¾	
P. C. A. Smalley ..	20+ 9⅝=29⅝	

Other Prizes: J. B. Selier, first nine holes.
D. V. House, second nine holes.
P. C. A. Smalley, hidden holes.

LADIES

Mrs M. L. Holmes-Walker ..	36⅝	Wins First Prize
Mrs R. Kettle	32	Wins Scratch Prize on last nine holes after tie
Mrs H. A. Astbury	31	Wins Second Prize
Mrs A. M. Nicholson ..	29⅛	
Mrs D. C. Urry	27½	
Mrs A. C. Unthank	26⅞	
Mrs P. Lancaster	26	
Mrs L. C. Hawkins	25	
Mrs P. F. Allday	24	

Other Prize: Mrs A. M. Nicholson, first nine holes.



Mr R. E. Holt (*right*), winner of the golf competition, receives the first prize from Mr D. V. House. Mr L. R. Elcombe, Chairman of the Autumn Meeting Golf Committee, is in the centre.

Weekly Notes

Resignations from the Council of the Institute

AT its meeting on October 1st, reported elsewhere in this issue, the Council of The Institute of Chartered Accountants in England and Wales received with regret the resignations of Mr W. G. Campbell, B.A., F.C.A., and Mr G. L. C. Touche, B.A., F.C.A.

Mr Campbell, who is a former partner in the firm of Josolyne, Miles & Co, Chartered Accountants, of London, was admitted an Associate of the Institute in 1928 and elected a Fellow in 1934.

Elected to the Council of the Institute in February 1947, Mr Campbell served on the Applications Committee from 1947–49, and on the Examination Committee from 1947 up to his retirement; he served as Vice-Chairman of the Committee from 1952–56 and as Chairman from 1956 to 1957. He was also a member of the Library Committee from 1947–49, the Parliamentary and Law Committee from 1949–58, the Disciplinary from 1948–56, and the P. D. Leake Committee from 1950 up to his retirement.

Mr Campbell was a 'founder member' of the Taxation and Research Committee on which he served from 1942 until 1953; he was Chairman in 1950–51. He also served as an Examiner from 1930–35 and is a former Chairman of the London and District Society of Chartered Accountants.

Outside the profession, Mr Campbell has served as a member of the Central Price Regulation Committee of the Board of Trade from 1946–49 and as a member of the General Nursing Council for England and Wales for the past five years. He retired from his firm on October 1st in order to take up an appointment on the new Restrictive Practices Court which commenced its sittings this week.

Mr G. L. C. Touche, B.A., F.C.A., is senior partner in the firm of George A. Touche & Co, Chartered Accountants, of London. He was admitted an Associate of the Institute in 1928 and elected a Fellow in 1934.

Mr Touche was elected to the Council of the Institute in 1950 and has served on the Applications Committee from 1950–56, the Finance Committee from 1950 up to his retirement, and the Parliamentary and Law Committee from June 1950 to June 1958. He served as Vice-Chairman of the Finance Committee from 1953–54 and as Chairman from July 1956 to September 1958.

Mr Touche is a director of several investment trust companies, a sphere of activity in which his family has long specialized. In recent years these duties have taken an increasing amount of his time. He presented a paper on 'Investment in stocks and shares' at the Institute's summer course in 1956.

London Students' President's Meeting

MEMBERS of the Chartered Accountant Students' Society of London were entertained at the President's meeting in Guildhall, last Tuesday, to a lively and interesting discourse by Sir Alexander Johnstone, K.B.E., C.B., Chairman of the Board of Inland Revenue. Mr W. E. Parker, C.B.E., F.C.A., President of the Society, occupied the chair.

'It is only necessary to be at Somerset House for a few weeks to realize how important it is that relations between the Inland Revenue and the accounting profession should be marked by mutual confidence and trust,' said Sir Alexander. Those happy relations had been enjoyed in the past and he was sure they would continue.

Sir Alexander concluded by saying: 'We are dealing with very large sums extended over a very wide field of public activities. We have had the help of outside accountants in looking at the form of Government accounts. We welcome all the help we can get from those who have ideas on how to improve the machinery and methods we employ.'

At the conclusion of the meeting, Mr Parker presented Alderman Sir Harold Gillett, M.C., F.C.A., who was President of the Society for six years, with a handsome clock as a mark of esteem and gratitude for his untiring services to the Society.

Costing a Casting

MORE than three-quarters of the bronze and brass foundries in Great Britain have less than twenty employees. Because of this the emphasis of employment is understandably directed towards casting rather than to costing. To help the proprietors of small businesses in the industry, the Association of Bronze and Brass Foundries has just produced two brochures,[1] one containing the explanatory text and the other a set of specimen standard forms, on how to estimate the cost of a casting and how to check the estimate against actual performance without additional clerical cost.

The compilers fairly claim that the system described has five merits – that it organizes rather than increases work; that differences between estimated and actual costs may be spotted while the work is still in progress; that it helps management to pinpoint errors in estimating and inefficiency in foundry-work; that the explanatory narrative and the layout of the forms are written in simple non-technical language; and that information already available is taken, recorded, stored and used.

As metal is the largest component in the selling price of a casting and an additional loss in material of 2 per cent more than planned may absorb upwards of 10 per cent of profit, particular attention is rightly paid to methods of measuring quantities used and of assessing the costs of melting and metal losses.

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[1] *Costing a Casting*. Obtainable from the Association's Secretaries: Messrs Heathcote & Coleman, 69 Harborne Road, Edgbaston, Birmingham, 15, at £1 10*s* 0*d* per set.

They 'framed' me into making a speech

. . . but the laugh was on them when I held them spellbound!

SO I was scheduled to play the clown, eh? It was with mixed feelings of anger and amusement that I listened to Hanley's gleeful explanation of his scheme through the half-open door of the private office.

"It's bound to come off", he explained to his listeners. "I'll tell the Boss that Burton has some ideas about the new sales campaign. He doesn't know about this conference. And when the Boss calls him in, watch him stutter and swallow his tongue. He's afraid of his own voice."

If this had happened three months ago I would have stayed away from the office that day. Three months previously I had been just the type that Hanley had me labelled. A good conscientious worker – handicapped by an inferiority complex whenever a business superior spoke to me – I was bashful, nervous and timid when called on to speak at length to a group of men. And I soon realised that my inability to speak effectively and persuasively was limiting my future and causing people to class me as an incompetent.

And then something happened. Reading through my favourite magazine, I read about and sent for a wonderful little booklet entitled *How to Work Wonders With Words.* It explained an amazingly simple home study training method by which any man could banish nervousness and self-consciousness. It revealed the simple Laws of Conversation – the knowledge and practice of which would make the most shy and retiring man a dominating and aggressive speaker, able to convince one man or an audience of thousands.

Within a few days I had begun this secret practice. So fascinating was it that weeks flew by like hours. I began to feel more confidence in myself. And finally came the day when I realised that my shy, retiring nature had vanished and that I was ready to speak in public any time. Now for the opportunity! And here it was – I'd show Mr. Hanley something!

Jeers Turned to Applause

To say they were dumbfounded is putting it mildly. When I was called in to address that conference, I just bowled them over. I did have some ideas on that new campaign – and succeeded in upsetting the whole year's programme. And when I finally brought my speech to a close with a startling, inspiring and convincing climax, I sat down amid a thunder-clap of enthusiastic applause. My case proves that it pays to be ready for opportunity. Shortly afterwards the company created a new job for me – Sales Director – at double my old salary. And my reputation as a convincing speaker and interesting conversationalist has spread to the extent that I am often the principal speaker at civic banquets, and a much-invited guest at dinner and social functions. Yes, the best investment I ever made was when I sent for that wonderful free booklet *How to Work Wonders With Words* and the investment was only 3*d* stamp.

There is no magic, no trick, no mystery about becoming a powerful and convincing speaker. You, too, can *conquer timidity*, stage-fright, self-consciousness, and bashfulness, winning advancement in salary, popularity, social standing, and success.

New Method Easy to Learn

This new method of training is fully described in a very interesting and informative booklet which will be sent to you *free of all charge.* This booklet is called *How to Work Wonders With Words.* In it you are shown how to conquer stage-fright, self-consciousness, timidity, bashfulness, and fear – those things that keep you silent while men of lesser ability get what they want by the sheer power of convincing speech. Not only men who are making big money but thousands have sent for this booklet – and are unstinting in their praise of it. You are told how to bring out and develop your priceless 'hidden knack' – or the natural gift within you – which can win for you advancement in position and salary, popularity, social standing, power, and real success. You can obtain your copy absolutely free by sending the coupon.

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Finance and Commerce

More Interims

IN last week's issue we reprinted two examples of interim statements. Three further statements have now become available and are reproduced this week. One is from Vickers Ltd for the half-year to June 30th, 1958, another is the quarterly from The Marley Tile (Holding) Co Ltd and the third is the Caterpillar Tractor 'monthly'.

Vickers gives six months' figures, against the corresponding first six months of the previous year and the previous full year. Sales in the six months were £1½ million down but the trading profit (2a in the reprint) is £690,000 up, and the position is even better after adding back development expenditure. But profits in the second half of the year are running at a lower rate and the chairman's statement last June that 1958 profits will not reach the 1957 level, still stands.

It would appear that the same conclusion – that 1958 will not come up to 1957 – is to be drawn from the Marley Tile figures. It might be mentioned in passing that a further column giving the figures for the full previous year would be a useful addition. The point we would emphasize in regard to these two statements and the two given in our last issue is that what these companies find possible, surely others can also. We hope that readers who have expressed an interest in the subject of interim statements will feel that their requests have been met. It is encouraging to see the interest of the profession advancing in this direction.

The monthly figures from the Caterpillar Tractor [illegible] show higher sales and earnings, a development [illegible] tends to confirm the general assumption that [illegible]nited States economy is now moving out of its [illegible]ssion.

All these interim statements are dated September 18th, 1958.

Hidden Reserves

A CAPITALIZATION of reserves by The Scottish Mortgage and Trust Co Ltd is a subject which we dealt with at some length in our issue of April 19th last. The matter then raised was the maintenance of undisclosed reserves behind the investment item in the balance sheets of investment trust companies.

Scottish Mortgage is now doubling its issued ordinary capital by capitalizing £1,650,000 from capital reserve fund. A letter to members of the company says:

> 'It will be necessary to alter the articles of association to permit the use of the capital reserve fund for the issue. The capital reserve fund is not shown in the company's balance sheet, being deducted from the cost of the investments as a provision against depreciation thereon. As the market value of the investments is substantially in excess of their book cost the retention of the whole of the capital reserve fund for this purpose is no longer necessary.'

The last balance sheet as at March 31st, 1958, published in June showed quoted investments, at or under cost, at £4,800,024; unquoted at £50,685; and £185,000 in cash on temporary deposit. At balance sheet date, 'quoted' were worth in the market £12,469,413; 'unquoted' were valued at £95,901.

The alteration in the articles deletes from the relevant article the words:

> 'the company's accounts whether at the credit of the revenue account or already added to the revenue reserve fund',

and substitutes

> 'any of the company's reserve accounts'.

Property Values

'RUMOUR is a lying jade', but the trouble is that rumours likely to affect the market value of a company's capital so very often prove correct. One rumour that was going around some time ago, however, is now scotched by the chairman of The International Tea Company's Stores Ltd, Mr William Bolwell.

There has been no revaluation of freehold properties, he says in his statement with the accounts. 'Such an undertaking would be most expensive and, in the opinion of the board, the expense would not be justified.'

Our views in such circumstances have been expressed before. Where property values are out of date and change has obviously taken place, some indication – where indication is possible – might well be made as a note to the balance sheet. That properties standing at £2 million are insured for £5 million, shall we say, is a material item of information.

This company has recently dealt in 'real' property values. Mr Bolwell says a number of freeholds have been sold to the Legal & General Assurance Co Ltd, and long-term leases taken on them. Further properties are being dealt with in similar manner during the current year.

Companies with a large number of properties – especially shops, as in this case – have more often than not a highly-skilled property department which knows pretty well where each property stands in the current scale of surrounding values.

Next Week's Reprint

The accounts of Hide & Co Ltd will provide the reprint in next week's issue.

VICKERS LIMITED

The following figures, which are unaudited, give the estimated trading results of the Company and its subsidiaries for the first half of the financial years 1957 and 1958, together with the figures for the whole of the year 1957:

	1958 6 months to 30th June £m.	1957 6 months to 30th June £m.	1957 12 months to 31st December £m.
(1) SALES (excluding sales within the Vickers Group)	93.4	94.9	202.8
(2) PROFIT			
(*a*) Trading Profit and Investment income of the Group before taxation, after deducting all expenses, depreciation and provisions. (See Notes 1 & 2 below)	6.86	6.17	13.5
(*b*) Profit after taxation	3.03	2.69	6.38
	At 30th June 1958 £m.	At 30th June 1957 £m.	At 31st December 1957 £m.
(3) STOCK-IN-TRADE AND WORK-IN-PROGRESS	153.0	143.2	147.7
Less:—INSTALMENTS ON CONTRACTS	90.5	85.8	83.8
	62.5	57.4	63.9
(4) NET ASSETS of Group	110.6	87.3	96.4
(5) ORDERS ON HAND (excluding sub-contracts placed within the Group)	355	337	387 (adjusted)

NOTES:—

(1) The figures of Trading Profit in (2) (*a*) have been arrived at after deducting £m.1.82 for further provisions against development expenditure, as compared with £m.1.60 for the corresponding period of 1957, and £m.3.14 for the whole of 1957.

(2) Present indications are that profits in the second half of the year are running at a lower rate than in the first, and the Company does not yet see any reason to qualify the statement made by the Chairman in June that "1958 profits will almost certainly not come up to last year's level".

THE MARLEY TILE (HOLDING) COMPANY LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Three months ended 31st July 1958	Three months ended 31st July *1957*	Nine months ended 31st July 1958	Nine months ended 31st July *1957*
Profit of group, before deducting depreciation	£446,181	*£545,293*	£1,137,815	*£1,418,192*
Depreciation	144,895	*118,630*	395,586	*341,859*
Profit of group, before deducting taxation	301,286	*426,663*	742,229	*1,076,333*
Taxation — United Kingdom and Overseas	142,061	*231,133*	405,631	*577,583*
Profit of group, after deducting taxation..............	159,225	*195,530*	336,598	*498,750*
Minority interests	3,806	*7,926*	5,664	*24,923*
Profit attributable to Holding Company	£163,031	*£187,604*	£330,934	*£473,827*

NOTE

Current year's figures included in the above statement are subject to audit and to the usual year-end adjustments.

CATERPILLAR TRACTOR CO.

RESULTS OF OPERATIONS

	1958	1957
For the month of August:		
Profit per share of common	$.51	$.36
Sales	$60,318,619	$54,384,248
Profit after taxes	$4,654,716	$3,272,049
Profit percentage of sales	7.72%	6.02%
Eight months ended August 31:		
Profit per share of common	$2.62	$3.85
Sales	$420,679,743	$483,783,302
Profit after taxes	$24,171,775	$35,216,989
Profit percentage of sales	5.75%	7.28%

Profit per share is computed on number of shares outstanding at the end of the respective periods.

CITY NOTES

OPENING of option dealings on the London stock-market this week brought an unexpectedly heavy volume of business. Market conditions could hardly have been more favourable to the start of this speculative form of operation.

Against all the trade indicators and indices the share market continues to move ahead on the investment belief that a major economic re-expansion is due. The new high level of unemployment and various other normally unfavourable statistics have been brushed aside as 'past history'.

Concentration is on more favourable factors – the further increase in gold and dollar reserves, the moves to increase international currency liquidity, the hardening tendency of base metal prices, the slight improvement in shipping freight rates and the higher dividends and profits that some leading industrial companies are able to show.

The main investment accent is likely to remain on industrial equities and in particular on the shares of consumer rather than capital goods companies. In the former there is clearly the prospect of an earlier reflection of the results of freer credit conditions.

RATES AND PRICES

Closing prices, Wednesday, October 8th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

Aug. 1	£4 0*s* 2·49*d*%	Sept. 5	£3 14*s* 0·93*d*%
Aug. 8	£3 17*s* 3·63*d*%	Sept. 12	£3 13*s* 6·81*d*%
Aug. 15	£3 14*s* 5·00*d*%	Sept. 19	£3 11*s* 9·20*d*%
Aug. 22	£3 14*s* 6·25*d*%	Sept. 26	£3 12*s* 6[illegible]
Aug. 29	£3 15*s* 2·47*d*%	Oct. 3	£3 14*s* [illegible]

Money Rates

Day to day	2¾–3⅛%	*Bank Bills*	
7 days	3¼–3⅜%	2 months	3 13/16–3⅞ %
Fine Trade Bills		3 months	3 13/16–3⅞ %
3 months	4½–5¼%	4 months	3 13/16–3⅞ %
4 months	4½–5¼%	6 months	3 13/16–3 15/16 %
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 13/16–⅞	Frankfurt	11·68⅜–⅝
Montreal	2·72⅛ –⅝	Milan	1744¼–¾
Amsterdam	10·56¼–⅜	Oslo	19·99⅛–⅜
Brussels	139·30–·32½	Paris	1176⅛–⅜
Copenhagen	19·32¾–·33	Zurich	12·20¼–½

Gilt-edged

Consols 2½%	52⅜	Funding 4% 60–90	87¾xd
Consols 4%	76⅝	Savings 2½% 64–67	82¼xd
War Loan 3½%	69½	Savings 3% 55–65	89 7/16
Conversion 3½%	68 5/16	Savings 3% 60–70	79¼
Conversion 3½% 1969	86⅜	Savings 3% 65–75	74¼
Exchequer 5½% 1966	102¼	Treasury 2½%	50 11/16
Funding 3% 66–68	83 5/16	Treasury 3½% 77–80	77 13/16
Funding 3% 59–69	81¾xd	Treasury 3½% 79–81	76 13/16
Funding 3½% 99–04	74 5/16	Victory 4%	94¾

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Treatment of Profits in Contractors' Accounts

SIR, – With reference to the letter signed 'Contractors' in your issue of September 27th, the costs of (1) replacing defective work, and of (2) maintenance, have to be estimated. In addition, as quantity surveyors tend to overcertify the value of work done, some writing down of work in progress falls to be done.

The ascertaining of these three factors is a task for civil engineers and is not ordinarily in the domain of the accountancy department. The civil engineers get guidance in arriving at their figures from their skilled interpretations principally from the contract, the specification, the bill of quantities, drawings and measurements of work done and still to be done.

Yours faithfully,
R. SPROULL (SEN.), C.A.
London, WC2.

Radio and Television Dealers

SIR, – One of the clients for whom we act has recently commenced to hire out on rental, radio and [illegible]ision sets in addition to the existing activities of buying these articles.

The question has arisen concerning the basis on which the hiring charge should be computed and the rate of gross profit to be expected as a result.

We should be obliged to learn of the experience of other readers on this point, and also in negotiating with the Inland Revenue rates of wear and tear, and of any other points of interest relative to this type of transaction.

Yours faithfully,
W. M. & Co.

Share Registration Reform

SIR, – So that we all can know with whom we are really doing business, I suggest that a further Companies Act should be passed:

(*a*) to compel a company (public or private) whose members' liability is limited by shares or stock, to state on its letter-headings and circulars the names of the shareholders who individually own one-third or more of the company's ordinary share capital;

(*b*) stipulating that no company may register the name of any nominees as shareholders; and

(*c*) that a company purchasing shares or stock in another company must register such shares or stock in its own name whether such shares or stock are ordinary, preference or known by any other term.

In the case of 'trusts' I suggest that the name of the trustee (or one of them if there is more than one) should be followed by the name of the trust.

Yours faithfully,
Plymouth. E. G. BENNS.

Life Assurance Premium Certificates

SIR, – My experience over life assurance premium certificates is the opposite of that of Mr Raymer (October 4th issue). I have a family income benefits policy with a large national insurance company on which the annual premium is £7 10*s* 0*d*. The company issued me with a certificate and this has been accepted for income tax purposes by the local Inspector of Taxes.

Yours faithfully,
POTTER.

Distribution after Cessation

SIR, – Section 25 of the Finance Act, 1958, of course changes the whole aspect of profits tax as far as distributions are concerned.

In the case of companies which have ceased trading, or which are about to cease trading, there are some very interesting repercussions.

Assuming that Section 35 (1) (*c*) of the Finance Act, 1947, still applies, in the case of any company which ceased to trade before April 1st, 1958, subsequent distributions, other than of capital, will seem to carry a heavy distribution charge.

If, however, trading can be prolonged beyond March 31st, 1958, so that there is a chargeable accounting period existing after that time, the incidence of the distribution charge would appear to be eliminated or reduced.

Readers' comments on this position would be appreciated.

Yours faithfully,
E. A.

[Although the Finance Act, 1958, repeals Section 35 (1) (*inter alia*) of the Finance Act, 1947, the intention is clearly to confine the repeal to chargeable accounting periods ending after March 31st, 1958. There are many companies which, having gone out of business, have remained in existence in order to avoid a distribution charge for the last chargeable accounting period. Their particular problem does not seem to have been dealt with in the Finance Act, 1958, an omission which ought to be rectified. – Editor.]

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, October 1st, 1958, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr W. L. Barrows, President, in the chair; Mr C. U. Peat, M.C., Vice-President; Messrs H. Garton Ash, O.B.E., M.C., E. Baldry, O.B.E., C. P. Barrowcliff, T. A. Hamilton Baynes, J. H. Bell, J. Blakey, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, Sir Harold Gillett, M.C., Messrs J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, P. D. Irons, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. B. Leech, M.B.E., T.D., R. McNeil, J. H. Mann, M.B.E., Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, G. F. Saunders, K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, A. D. Walker, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., with the Secretary and Assistant Secretaries.

Resignation from the Council

The Council received with much regret the resignation of Mr William Gordon Campbell, B.A., F.C.A., London, and of Mr George Lawrence Capel Touche, B.A., F.C.A., London, of their membership of the Council. Mr Campbell had been a member of the Council since 1947 and Mr Touche since 1950.

Presentation of Prizes

In presenting the following prizes to the under-mentioned candidates who were able to attend the meeting of the Council, the President said:

Gentlemen,

It is a great pleasure and privilege for me as President to welcome you on behalf of the Council and to congratulate you all on your signal success in the recent Institute and Society examinations.

This is the first occasion on which there have been present men receiving honours in the examinations of The Society of Incorporated Accountants, now in voluntary liquidation, whose examinations the Institute is conducting in conjunction with The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland. There were this year five honours awards in the Intermediate examination and one in the Final, and I shall in a few minutes have much pleasure in handing over honours certificates in respect of them.

The prize-winners and honoursmen, who have just surmounted the examinations, have yet many ordeals to overcome. Some are only half-way through their apprenticeship and have still the hurdle of the Final, and we hope that they will succeed equally well at that time. Then there are those who have passed the Final examination so successfully. To you all we say 'Well done'!

I was recently looking at the examination results of fifty years ago and I noted with interest that at that time there were only a total of 356 candidates for the Final and Intermediate together. In the recent examinations 3,790 candidates were examined – a ten-fold increase. The rapid growth of the Institute means increasing responsibilities.

Examination success alone will not make the true chartered accountant. It is, however, a very useful basis of achievement on which to build. It is necessary for us all to show in our lives and characters that we are fitted to be members of our great profession. We have to show not only mental ability but also the qualities of integrity and honesty, adaptability, imagination, alertness and thought for others, which exemplify personality and character.

Those of you who have passed the Final examination are on the threshold of your career. Do not forget that we never cease to learn and if we are to give effective service to the public it is necessary to keep up to date with our reading, our ideas and with what is going on in the world.

The future is in the hands of you young people and others like you. Wonderful opportunities are available for service to the public and to your chosen profession. Seize those opportunities and do all that lies within your power to maintain and enhance the reputation the chartered accountant has attained since our Charter was granted seventy-eight years ago.

The members of this Council, who include former members of the Council of the Society, come from varied sections of the Institute – practitioners in London and the provinces and members engaged in industry and local authority work. They have all in their respective spheres given generously of their time and energy to students' societies, district societies and public work of all kinds. We expect you to do likewise. Take an interest in everything, not merely in technical and professional matters. Live a full life and put all you have into it. Remember that good health is vital and that active participation in sports and games, interest in literature and cultural activities and many other things, which are outside examination syllabuses, will enable you to live that full life. The wider your interests the better chartered accountant you will be capable of being.

On behalf of the Council I congratulate you, once again, on your achievements and I wish a full, happy, and useful life to you all. (*Applause.*)

INSTITUTE EXAMINATIONS

Final

First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize and the Frederick Whinney Prize

T. G. R. Lawrence (B. J. Davis), London.

Third Certificate of Merit and the Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting

L. W. Green (C. Halpern), London.

Fifth Certificate of Merit

R. D. Smith-Wright (S. W. Penwill), London.

Sixth Certificate of Merit
C. F. M. Rawlinson (A. E. Limehouse), Rugby.

William Quilter Prize and the Plender Prizes for the papers on Taxation and Auditing
A. J. K. Woodhead (C. Couchman), London.

Plender Prize for the paper on Advanced Accounting (Part II)
B. Gillitt (J. R. Mead), Coventry.

Plender Prize for the paper on English Law (Part I)
J. B. Humphreys (T. O. Brennan), London.

Intermediate

First Certificate of Merit, the Institute Prize and the Robert Fletcher Prize
D. J. Williams (C. G. Jolliffe), Newport, Mon.

Second Certificate of Merit, the Frederick Whinney Prize (shared with one other) and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)
R. J. Clark (B. C. Cornes), London.

Third Certificate of Merit, the Tom Walton Prize and the Frederick Whinney Prize (shared with one other)
P. W. Lacey (S. Fawcett), Salisbury.

Fourth Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize
A. G. J. Keat (D. A. Huggons), Hove.

Fifth Certificate of Merit
D. P. L. Davies (R. H. Martin), Cardiff.

Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)
M. Duffitt (R. W. Lloyd), London.

Plender Prize for the paper on Taxation and Cost Accounting
N. F. Lewis (J. Green), London.

SOCIETY EXAMINATIONS

The following Honours Certificates were awarded:

Final

D. I. Matthews, Birmingham.

Intermediate

E. Bates, Newcastle upon Tyne.
N. F. Marshall, Salisbury.
J. Partington, Leeds.
K. W. J. Saunders, London.
E. A. Tillman, London.

Sir Harold Gillett

The congratulations of the Council were tendered to Sir Harold Gillett, M.C., F.C.A., as Lord Mayor elect of the City of London.

Welcome to New Member

The President welcomed Mr G. G. G. Goult, F.C.A., who was attending for the first time as a member of the Council.

Exemption from the Preliminary Examination

Two applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

One application under bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to and two applications were not acceded to.

Reduction in Period of Service under Articles

Four applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Description of Firms with Chartered and Incorporated Partners

The Council has decided that, so far as the Institute is concerned, the description 'chartered and incorporated accountants' may be used by a firm which would be entitled to describe itself as 'chartered accountants' except for the fact that in addition to the chartered accountant partner(s) the firm includes a partner who is an incorporated accountant member of the Institute or more than one such partner; provided that on the firm's letter-heading and wherever else the partners' names are listed the appropriate description and/or designatory letters appear after each partner's name.

Stock Exchange, London

Rule 79a

Paragraph 5 of the new Rule 79a of the Stock Exchange, London, relating to balance sheets of members of the Stock Exchange, provides as follows:

> (5) There shall be attached to such balance sheet a report to the firm or member by the accountant stating
> (*a*) whether the balance sheet has been prepared and presented in accordance with the provisions of this rule, and
> (*b*) whether his work has been limited to the preparation of the balance sheet from the books and supplementary records or whether, by arrangement with the firm or member, he has in addition carried out any audit work, and if so the scope of such work.

The Council of the Institute of Chartered Accountants in England and Wales has consulted the Stock Exchange in regard to the interpretation of this paragraph and has been informed as follows:

> 'The requirement in paragraph 5 for the accountant to state "the scope of such work" was introduced partly because the committee dealing with the re-drafting of this rule came to the conclusion that in many cases Stock Exchange members were not clear as to the scope of the work carried out by the accountants they had appointed under the old Rule 79a, nor were they clear as to the degree of responsibility accepted by such accountants. The committee formulated the new rule in the hope that this would ensure that accountants would follow fully the advice contained in the booklet entitled *Reports on Accounts of Sole Traders and Partnerships* published in May 1955 by The Institute of Chartered Accountants. They had in mind in particular paragraphs 4, 5 and 6 of such publication.'

The Council of the Institute has also raised with the Stock Exchange the question of the time factor in relation to the next applications and is informed as follows:

> 'The new Rule 79a does not specifically require any work to be done that was not done to comply with the old rule other than to require the accountant to report on the scope of his work. Therefore, an accountant is not required by the rule to do any further work than he did in the previous year, beyond making a report. It is hoped, however, that the rule will lead to Stock Exchange members and their accountants consulting together with a view to arranging the carrying out of such audit work as may appear desirable. But this will be a voluntary arrangement between the member and his accountant and can, of course, be introduced when convenient.'

The Council welcomes the opportunity of issuing this statement which should be helpful to those members of the Institute whose clients include members of the Stock Exchange.

Registration of Articled Clerks and Bye-law Candidates of the Society of Incorporated Accountants

The registration under the scheme of integration of articled clerks and bye-law candidates of the Society of Incorporated Accountants is now almost complete.

Any former student of the Society whose service in England and Wales has been interrupted by one or more periods of service spent outside that area is invited to communicate with the Secretary of the Institute.

Summer Course, Christ Church and Merton College, Oxford

The Chairman of the Summer Course Committee reported on the proceedings at Christ Church and Merton College, Oxford, from September 4th to 9th, 1958, and stated that the President had sent letters of appreciation to the three speakers, to the governing bodies of Christ Church and Merton College, and all others concerned with the conduct of the course. The Council decided that the programme and full text of the three addresses should be reprinted in the form of a combined booklet similar to those prepared for previous courses. Copies are now being printed and will be obtainable on application to the Secretary of the Institute, price 5*s* each, post free. An order form will be sent in November to all members of the Institute. Remittances should be sent with orders which will receive attention as soon as the books are delivered by the printers.

The Council has approved the holding of a similar course from Thursday, July 9th, to Tuesday, July 14th, 1959.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Anderson, Keith Geoffrey; A.C.A., 1956; (Wheeler, Hegarty & Co), Bevois House, 27/30 Basinghall Street, London, EC2.

Birne, Stanley; A.C.A., 1958; (S. 1952); 26 Langhorne Court, Alexandra Road, London, NW8.

Blampied, Peter Gilroy; A.C.A., 1952; (J. T. A. Willcox), Martins Bank Chambers, St Helier, Jersey, C.I.

Booy, Edward Joseph James; A.C.A., 1958; (S. 1955); (Saunders, Horton, Evans & Co), The Cardiff Chambers, 29, 30 & 31 St Mary Street, Cardiff.

Burnett, Ernest John; A.C.A., 1955; (Victor Stewart & Co), 35/39 Maddox Street, London, W1.

Bye, Peter Russell, M.A.; A.C.A., 1958; (Stanley V. Bye & Co), 137 Albert Road, Middlesbrough.

Clark, Charles William; A.C.A., 1958; (S. 1925); (Kingston, Smith & Co), 110 Cannon Street, London, EC4.

Dorman, Ronald Alfred; A.C.A., 1958; (S. 1937); (R. A. Dorman & Co), 2 Observer Chambers, Market Street, Huddersfield.

Ellis, Hugh Henry Valentine; A.C.A., 1933; (Valentine Ellis & Co), Charterhouse, London, EC1.

Garfield, Bernard; A.C.A., 1958; (S. 1957); 14 Brinkburn Close, Edgware, Middlesex.

Gray, Charles Ernest; A.C.A., 1958; (S. 1923); (Macredie & Evans), Orchard Chambers, Church Street, Sheffield, 1.

Hildebrand, Norman; A.C.A., 1958; (S. 1952); (Kingston, Smith & Co), 110 Cannon Street, London, EC4.

Holloway, Frank; A.C.A., 1958; (S. 1946); (Frank Hall & Partners), 9 Oxford Row, Park Lane, Leeds, 1.

Lewis, Robert William; A.C.A., 1953; (*Price, Lewis & Co), 2 Market Street, Caerphilly, Glamorgan; also at Penhow (R. W. Lewis).

Nielsen, Norman Valdemar Schaldemose; A.C.A., 1958; (S. 1952); (Eric Phillips & Co), 31 King's Road, Sloane Square, London, SW3.

Parkes, David Michael; A.C.A., 1955; (Grace, Darbyshire & Todd), 19 Whiteladies Road, Bristol, 8.

Rayner, Maurice; A.C.A., 1956; (*Robert W. Watson & Co), 63 Commercial Road, Totton, Southampton, and at Lymington.

Scannell, Geoffrey Charles; A.C.A., 1958; (H. F. Thompson & Co), 46/47 Chancery Lane, London, WC2, and at Welwyn Garden City.

Stead, Dennis; A.C.A., 1958; (S. 1952); (Macredie & Evans), Orchard Chambers, Church Street, Sheffield, 1.

Westbury, Frank; A.C.A., 1958; (S. 1953); (Grant, Grierson & Co), Transport House, 1 The Crescent, Salford, 5, Lancs.

Wood, Frank; A.C.A., 1958; (S. 1952); (F. P. Fearnley & Wood), 89 Albion Street, Leeds, 1.

Woolf, Jeffery Alan; A.C.A., 1957; 58 Bridle Road, Eastcote, Pinner, Middlesex.

Yeomans, Joseph, B.A.; A.C.A., 1958; (Cyril Arnold & Co), 17 Crescent Road, Rhyl, and at Bala, Fling and Ruthin.

Election to Fellowship

The following were elected to Fellowship:

Bales, Edward; A.C.A., 1952; 167 Watt Lane, Sheffield, 10.

Bowman-Vaughan, Michael John; A.C.A., 1952; (†Singleton, Fabian & Co), 30 Southampton Buildings, Chancery Lane, London, WC2, and 65 London Wall, London, EC2.

Bowyer, Geoffrey, M.A.; A.C.A., 1929; (J. Earle Hodges, Wright, Judd & Co), Ridgway House, 41 & 42 King William Street, London, EC4.

Cheetham, John Duncan Ritchie; A.C.A., 1958; (S[illegible] 20 Exchange Street East, Liverpool, 2.

Coates, Herbert Arthur; A.C.A., 1949; (*J. N. Bancroft & Co), 120/126 Portland Street, Manchester, 1.

Cohen, Leslie Harold; A.C.A., 1958; (S. 1953); (Bernard Phillips & Co), 76 New Cavendish Street, London, W1.

Farmer, Maurice, B.COM.; A.C.A., 1953; (George Cobley & Co), 33 Henrietta Street, Covent Garden, London, WC2; also at Sevenoaks (M. Farmer).

Goddard, Norris Matanle; A.C.A., 1958; (S. 1936); (Goddard & Co), 42/43 Avenue Chambers, Vernon Place, London, WC1.

Hainsworth, Alan Holroyd; A.C.A., 1925; (W. Claridge & Co), 16 Leeds Road, Bradford, 1.

Harcourt, Maurice Charles; A.C.A., 1958; (S. 1953); (*Stephenson, Smart & Co), 26 King Street, King's Lynn, and at Hunstanton.

Harker, William Gibson, M.B.E.; A.C.A., 1939; (W. Claridge & Co), 16 Leeds Road, Bradford, 1.

Jones, Merlin; A.C.A., 1958; (S. 1943); (*Stephenson, Smart & Co), 26 King Street, King's Lynn, and at Hunstanton.

Mackey, William Gawen; A.C.A., 1949; (Humble & Glenton), Post Office Chambers, St Nicholas Street, Newcastle upon Tyne, 1.

Prior, Allen James, B.SC.; A.C.A., 1937; 18 Ruden Way, Epsom Downs, Surrey.

Shaw, Henry; A.C.A., 1958; (S. 1952); (Lewis, Shaw &

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§ means 'incorporated accountant member'.

¶ means 'in practice'.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

Firms not marked † or * are composed wholly of members of the Institute.

Co), Fulwood House, Fulwood Place, High Holborn, London, WC1.

Shore, Thomas Henry; A.C.A., 1950; (Ralph Beevers & Co), 49 & 50 Bradford Street, Walsall.

Tranter, Howard; A.C.A., 1939; Oxford Street, Oakengates, Shropshire.

Wilson, William Roy; A.C.A., 1958; (S. 1948); (Waller, Wilson & Co), 27 Fitzroy Square, London, W1, and at Potters Bar.

Admission to Membership

The following were admitted to membership of the Institute:

Alafia, Yekinni Suberu; A.C.A., 1958; c/o Nigerian Ports Authority, P.O. Box 2588, 216 Broad Street, Lagos.

Armstrong, Norman Albert; A.C.A., 1958; with Harry L. Price & Co, 47 Mosley Street, Manchester, 2.

Austin, Kenneth Robert; A.C.A., 1958; with J. Summerskill & Son, 37 Victoria Street, Liverpool, 1.

Baker, Peter Reginald; A.C.A., 1958; with P. V. A. Oldak, 45 King's Road, Chelsea, London, SW3.

Baldwin, Barry Anthony; A.C.A., 1958; with Russell & Mason, 139 Temple Chambers, Temple Avenue, London, EC4.

Bell, Julian Ingress; A.C.A., 1958; 11 King's Bench Walk, London, EC4.

Braken, Peter William; A.C.A., 1958; 11 Salisbury Gardens, Basingstoke.

Buckley, Michael Louis; A.C.A., 1958; 141 Walden Drive, Haworth Road, Bradford, 9.

Butler, Stanley Macleod; A.C.A., 1958; 21 William Road, Queens Park, Bournemouth.

Cardosi, Raoul Florindo; A.C.A., 1958; with Kemp, Chatteris & Co, St Swithin's House, Walbrook, London, EC4.

Chalk, Harry Raymond; A.C.A., 1958; with Baker, Sutton & Co, Eldon Street House, Eldon Street, London, EC2.

Cheetham, John Humphrey, B.A.; A.C.A., 1958; 50 Walton Road, Sale, Cheshire.

Childs, Roger; A.C.A., 1958; 11 Begonia Avenue, Rainham, Kent.

§Clasen, Wilhelm Georg; A.S.A.A., 1958; with Alexander, Maclennan, Trundell & Co, Sadler House, Sadler Street, (P.O. Box 1968), Nairobi.

Collier, William John Racster; A.C.A., 1958; with Howard Smith, Thompson & Co, Beaufort House, 96 Newhall Street, Birmingham, 3.

§Conway-Cragg, John; A.S.A.A., 1958; with Greenwood, Poulton & Co, 7th Floor, Union House, Queen Victoria Street, Cape Town.

Crawley, John Terence; A.C.A., 1958; 18 Birfed Crescent, Leeds, 4.

Draper, Derek George; A.C.A., 1958; 'The Glen', Adsett, Westbury-on-Severn, Glos.

Eglesfield, Brian; A.C.A., 1958; 33 Mayfield Road, Sutton Coldfield, Warwicks.

§Enos, Benjamin; A.S.A.A., 1958; with Pannell Crewdson & Hardy, Ghana Bank Chambers, P.O. Box 1219, Accra, Ghana.

Fitch, Ronald; A.C.A., 1958; 114 Horton Road, Rusholme, Manchester, 14.

Gooch, Anthony John; A.C.A., 1958; with Morison, Rutherford & Co, 20 Eastcheap, London, EC3.

Groves, Michael; A.C.A., 1958; with A. G. Sayers, Seaton & Butterworth, 62 Brook Street, London, W1.

Harris, Peter; A.C.A., 1958; with Farr, Rose & Gay, 39–41 New Broad Street, London, EC2.

Harrison, Edward; A.C.A., 1958; with Jones, Hutchinson & Co, Seaton Buildings, Jameson Street, Hull.

Hart, Nicholas Colin Priestley; A.C.A., 1958; Flat 3, 29 Biscot Road, Luton.

Hawkins, Peter John; A.C.A., 1958; with Wright, Fairbrother & Steel, 42 Bedford Avenue, London, WC1.

§Hedmann, Roy Ewart; A.S.A.A., 1958; 77 Beaverton Road, Richmond Hill, Ontario, Canada.

Herman, Frank Ephraim; A.C.A., 1958; 66 Farleigh Road, London, N16.

Jackson, Robert David; A.C.A., 1958; Mentley Farm, Puckeridge, Ware, Herts.

Johnson, Peter Wakefield, B.A.; A.C.A., 1958; with Curtis, Jenkins, Cornwell & Co, 44 Corn Street, Bristol, 1.

Jonah, Ephraim Sassoon; A.C.A., 1958; with H. C. Rudolf & Co, Balfour House, Finsbury Pavement, London, EC2.

Kerr, John Francis Edward; A.C.A., 1958; 245 Warbreck Moor, Aintree, Liverpool, 9.

§Kohler, Anthony John; A.S.A.A., 1958; Portman Road, P.O. Bryanston, Johannesburg, S. Africa.

§Lahiri, Pranab Kumar; A.S.A.A., 1958; with P. K. Mitra & Co, P7, Mission Row Extension, Calcutta, 1, India.

Lancaster, Gordon; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 2 Park Place, Leeds, 1.

¶Landau, Siegbert; A.C.A., 1958; (S. Landau & Co), 25 Woodstock Road, London, NW11.

Lewis, Reginald Harvey; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, National Bank Building, 24 Fenwick Street, Liverpool, 2.

Marklew, Stanley Gordon; A.C.A., 1958; 21 Coppice Side, Brownhills, Staffs.

§Monu, Godfrey Obiora; A.S.A.A., 1958; Flat B, 35 Glover Road, Ikoyi, Lagos, Nigeria.

North, Brian Samuel; A.C.A., 1958; 11 Lily Grove, Beeston, Nottingham.

Pearson, Anthony Edward; A.C.A., 1958; with Peat, Marwick, Mitchell & Co, 17 Eldon Square, Newcastle upon Tyne, 1.

Ross, Peter Herbert St John; A.C.A., 1958; with Baker, Todman & Co, Canada House, Norfolk Street, Strand, London, WC2.

Seale, Michael John; A.C.A., 1958; 60 Otter Street, Derby.

Sherlock, Peter Joseph; A.C.A., 1958; with Thomas Eaves & Co, 140 The Albany, Old Hall Street, Liverpool, 3.

Shippen, Edgar; A.C.A., 1958; 20 Churchill Street, Rosehill, Walsend-on-Tyne, Northumberland.

Thomas, Henry William; A.C.A., 1958; with Moore, Stephens & Co, Bucklersbury House, Bucklersbury, London, EC4.

Thomson, Gordon; A.C.A., 1958; 6 Wolfenden Avenue, Bootle, 20, Lancashire.

§Whitcutt, Eric Graeme; A.S.A.A., 1958; 38 Denbigh Road, Parkwood, Johannesburg, S. Africa.

White, William Denys; A.C.A., 1958; 89 Cranworth Gardens, Brixton, London, SW9.

Williams, Brian Thornley; A.C.A., 1958; 2 Llwynfedw Gardens, Birchgrove, Cardiff.

Window, John McEwen; A.C.A., 1958; with Barron, Bass & Co, Chansitor House, 37–38 Chancery Lane, London WC2.

Wood, Michael Warburton, B.A.; A.C.A., 1958; with Robt. A. Page & Co, Century Buildings, 19 Milton Street, Nottingham.

Wyatt, Victor John; A.C.A., 1958; with Temple, Gothard & Co, 7/8 Norfolk Street, Strand, London, WC2.

Re-admission to Membership

Subject to payment of the amounts required by the Council, two former members of the Institute were re-admitted to membership under clause 23 of the supplemental Royal Charter.

Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as an associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Shaw, Ronald; (1958); A.S.A.A., 1955; 1141 Middleton Road, Chadderton, near Oldham, Lancs.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from ten members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Charter. All the new members have been notified. The total number of members now admitted under the scheme is 10,033.

Subject to payment of the amounts required by the Council, the Council also acceded to applications from five former members of The Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter. Two such applications were refused.

Chairman of Committee

Mr P. V. Roberts was appointed Chairman of the Finance Committee.

Appointments to Committees

Mr G. G. G. Goult was appointed to membership of the District Societies and the Finance Committees.

Resignations

The Council accepted the resignation from membership of the Institute of:

Everitt, (Miss) Esther Beryl, A.C.A., 25 Serpentine Road, Sevenoaks, Kent.
Tweedale, Harry, M.B.E., A.C.A., 50 Wilmslow Road, Cheadle, Cheshire.

Registration of Articles

The Secretary reported the registration of articles of clerkship as follows:

	1958	*1957*
August to September	490	292
January to September	1,636	931

Change of Name

The Secretary reported that the following change of name had been made in the Institute's records:

Thomas Jeffrey Lewis Hayes to Ludwig Tycho Calvelli-Adorno, A.C.A.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Kenneth Aikman, A.C.A., Newcastle upon Tyne.
„ Sydney Beevers, B.A., F.C.A., Leeds.
„ George Beverley, F.C.A., Carlisle.
Sir John Francis Bodinnar, J.P., A.C.A., Calne.
Mr Richard Greville Bowen, F.C.A., Birmingham.
„ Sydney Elijah Crowe, A.C.A., Otley.
„ Robert Turnley Cuff, F.C.A., London.
„ Douglas Glencairn Cunningham, A.C.A., Croydon.
„ Robert Edward Edwards, F.C.A., West Kirby.
„ Leonard Eteson, F.C.A., Keighley.
„ Richard Swift Gray, F.C.A., Hornsea.
„ Charles Frederick Alexander Greenslade, A.C.A., Croydon.
Sir William Josiah Grimshaw, J.P., A.C.A., London.
Mr Bernard Halsey, A.C.A., Durban.
„ William Whaley Higgitt, A.C.A., Potters Bar.
„ Arnold Hooper, A.C.A., Leeds.
„ Alfred Cordell Hunt, A.C.A., London.
„ John Harvey Langley, A.C.A., Cheltenham.
„ Alfred Lean, A.S.A.A., Hove.
„ Alfred William Pearce, A.C.A., Croydon.
„ William Arnold Pepper, F.C.A., London.
„ Reginald John Pigott, F.C.A., Oxford.
„ Charles Wynn Reavley, A.C.A., Pinner.
„ Thomas Rodger, F.C.A., Newcastle upon Tyne.
„ David Roth, F.C.A., London.
„ Edgar Tarr Senington, F.C.A., Bristol.
„ Colin Hammond Sharp, F.C.A., Oldham.
„ Edwin Massingham Shepherd, M.A., A.C.A., Croydon.
„ Charles Sturge, F.C.A., Worthing.
„ Francis William Tandy, A.C.A., Surbiton.
„ Oliver John Thomas, F.C.A., Bexleyheath.
„ Samuel Edward Towers, A.C.A., Upminster.
„ Charles Winfield Weston, A.C.A., Barton-on-Sea.

FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on August 6th, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that a member of the Institute had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of clause 21, sub-clause (3) of the supplemental Royal Charter in that (*a*) the annual subscription for the year 1958 due and payable by him to the Institute on January 1st, 1958, was not received by the Institute until May 27th, 1958; (*b*) he failed to ensure that sufficient funds were available in his bank account to meet the cheque for the sum of £4 4*s* 0*d* drawn by him in favour of the Institute in payment of the said subscription, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved under both headings and ordered that the member be admonished, but the Committee considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

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Notes and Notices

PERSONAL

MESSRS JOSOLYNE, MILES & CO, Chartered Accountants, of 28 King Street, Cheapside, London, EC2, announce that Mr WILLIAM GORDON CAMPBELL, B.A., F.C.A., retired from the partnership on October 1st, 1958, on his appointment to the Restrictive Practices Court. They also announce that Mr CHARLES ANDREW STEPHEN PAIN, A.C.A., who has been associated with the firm for many years has been admitted as a partner.

MESSRS FRANK DOWNING & CO, Chartered Accountants, of 24 Norfolk Row, Sheffield, 1, announce that, by arrangement with Mr A. E. JEPSON, F.C.A., who is leaving Sheffield, they have taken over his practice at 39 Norfolk Street, Sheffield, 1, as from September 30th, 1958. The principal place of business of Messrs FRANK DOWNING & CO remains unchanged.

MESSRS FORD, RHODES, THORNTON & CO, Chartered Accountants, of Times of Ceylon Building, Colombo, 1, Ceylon, announce that on September 30th 1958, Mr JOHN HENDERSON, C.A., retired from the partnership. The practice is being continued by the remaining partners and the style of the firm remains unchanged.

MESSRS FITZPATRICK, GRAHAM & CO, Chartered Accountants, practising in London and in British Guiana, Trinidad, Barbados and Antigua, Messrs WOODTHORPE, BEVAN & CO, Chartered Accountants, of London, and Messrs MURPHY, BAILEY & CO, Chartered Accountants, of Manchester and Macclesfield, announce that they have amalgamated their United Kingdom practices with effect from October 1st, 1958, under the firm name of FITZPATRICK, GRAHAM & CO. The United Kingdom practice will continue to be carried on by Messrs H. C. MEDLAM, M.A., F.C.A., W. J. LEEMING, F.C.A., G. GOLDING, A.C.A., W. G. MEDLAM, A.C.A., F. A. H. SKINNER, A.C.A., R. H. MORE, B.A., F.C.A., K. H. FISHER, B.A., A.C.A., G. W. MURPHY, B.A.(COM.), F.C.A., F. A. BAILEY, A.C.A., and [illegible]B. SMITH, A.C.A., at 95A Chancery Lane, London, [illegible] Leadenhall Buildings, 1 Leadenhall Street, [illegible]n, EC3; 5 Norfolk Street, Manchester, 2, and [illegible]by Street, Macclesfield.

MESSRS BARTON, MAYHEW & CO announce that Mr WILLIAM R. GRIGSBY, A.C.A., has been admitted to partnership in the firm's practice in Angola, Portuguese West Africa.

MESSRS RIDLEY HESLOP & SAINER, Chartered Accountants, of 10 New Court, Lincoln's Inn, London, WC2, announce that as from October 1st, 1958, they have amalgamated their practice with that of Messrs DUCK, MANSFIELD & CO, Chartered Accountants, formerly of 66 Broad Street Avenue, London, EC2. The name of the firm will remain unchanged and the practice will be continued from 10 New Court, Lincoln's Inn, WC2.

MESSRS GIBBONS & VOWLES, Chartered Accountants, announce the change of address of their Bristol office to 2 St Paul's Road, Clifton, Bristol, 8. Telephone 38081.

MESSRS THOMAS BOWDEN SONS & NEPHEW, Chartered Accountants, of 42 Mosley Street, Newcastle upon Tyne and Hexham, announce that Mr BERNARD DUDLEY, F.C.A., retired from the firm as from October 1st, 1958. The practice is being continued by Mr WILLIAM PATTERSON, F.C.A., Mr HAROLD MURRAY, F.C.A., and Mr G. NOEL ROBSON, F.C.A.

OBITUARY

JOHN THOMAS SINGLETON, F.C.A.

We have learned with regret of the recent death of Mr John Thomas Singleton, F.C.A., senior partner in the firm of Singleton, Carter & Co, of Nottingham. Mr Singleton, who was 70 years of age, was admitted a member of The Society of Incorporated Accountants in 1915. He served his articles under the late Alderman Edward Harlow when the firm was known as E. Harlow & Co.

Mr Singleton was president of the Nottingham, Derby and Lincoln Society of Incorporated Accountants from 1936 to 1938.

LEONARD FRANKLAND, A.C.A., F.C.W.A., A.M.B.I.M.

It is with deep regret that we have to announce the death at Brompton Hospital on October 3rd of Mr Leonard Frankland, A.C.A., F.C.W.A., A.M.B.I.M., at the age of 51 years.

Mr Frankland, an Associate of The Institute of Chartered Accountants in England and Wales since 1929, was chief accountant of Kelvin & Hughes Ltd. He was also a member of the Council of The Institute of Cost and Works Accountants, having been admitted an Associate of that Institute in 1940, and elected a Fellow in 1948; he served on its Research and Technical, Examination, and Journal and Library Committees.

He had been chairman of the East and North-east London Section of the London Branch of the British Institute of Management since the inauguration of the section in 1953.

Mr Frankland had for long been interested in the work of The Institute of Book-keepers, and he was chairman of the Council of that Institute for nearly fifteen years until his resignation in 1956; he remained a trustee of the Institute's Benevolent Fund until his death.

He was well known as a lecturer on accountancy subjects, and in addition to his professional activities he was a member of the Committee of Management of the Essex Trustee Savings Bank.

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CENTRAL LONDON DISCUSSION GROUP

The first meeting of the Central London Discussion Group of the London and District Society of Chartered Accountants in the 1958–59 session will be on Wednesday, October 15th, at 6.30 p.m., at *The Lamb & Flag*, 33 Rose Street (off Garrick Street), Covent Garden, London, WC2.

The main purpose of the meeting will be to elect new officers and committee following which, Mr R. G. Dowse, A.C.A., will introduce a discussion on 'The mechanics of a large consolidation' and will demonstrate a set of working papers. Subsequent meetings will be on the third Wednesday of each month. The group will be pleased to welcome any chartered accountants who would care to attend with a view to becoming members. Those intending to be present are asked to communicate with the honorary secretary, Mr Stanley Dent, A.C.A., 71 Great Russell Street, London, WC1, telephone Chancery 4722.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

FORMATION OF ISLE OF MAN BRANCH

The President of the Institute, Mr W. L. Barrows, LL.D., J.P., F.C.A., flew from London with the Secretary of the Institute, Mr A. S. MacIver, M.C., B.A., recently, to attend the inaugural meeting of the Isle of Man Branch of the Liverpool Society of Chartered Accountants.

The President of the Liverpool Society, Mr J. F. Allan, F.C.A., took the chair at the meeting, which was attended by thirty-four members of the Institute and articled clerks. Mr A. D. Walker, J.P., F.C.A., Mr Bertram Nelson, C.B.E., J.P., F.C.A. (members of the Council), and Mr Stanley Morris, J.P., F.C.A., Hon. Secretary of the Liverpool Society, were also present.

Mr J. B. Garside, F.C.A., read the report of the provisional committee and proposed:

> 'That the members of The Institute of Chartered Accountants in England and Wales residing in the Isle of Man and present at this meeting hereby constitute themselves the Isle of Man Branch of the Liverpool Society of Chartered Accountants.'

The resolution was seconded by Mr F. J. Callow, A.C.A., put to the meeting, and carried unanimously.

Mr J. A. W. Manderson, F.C.A., then proposed that Mr J. B. Garside, F.C.A., be elected chairman of the branch. This resolution was put to the meeting and passed unanimously. Mr Garside replied briefly.

A ballot took place to fill the six places on the committee and the following members were elected:

Messrs J. W. Manderson, F.C.A., W. A. Crowe, F.C.A., F. J. Callow, A.C.A., J. G. Fargher, F.C.A., C. R. Ducker, A.C.A., J. B. Bolton, F.C.A.

The President of the Institute addressed the members of the new branch and Mr W. A. Crowe, F.C.A., proposed a vote of thanks to the President which was carried with acclamation.

The inaugural meeting was followed by a diennr at *The Castletown Golf Links Hotel*, attended by forty-eight members and guests.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday: Visit to Fords Motor Works (limited number).
5.30 p.m. at Caxton Hall: Lecture on 'The historical background of the Companies Act', by Mr T. P. E. Curry, Barrister-at-Law.

Tuesday: Lecture and demonstration of Burroughs Accounting Machines (limited number).
5.30 p.m. at the Institute: Speakers' Course lecture on 'How to construct a speech', by Miss H. M. Taylor, Principal, The Abbey School for Speakers.

Wednesday: Lecture and demonstration of Underwood Accounting Machines (limited number).

Thursday, 5.15 p.m., at Incorporated Accountants, Hall: Introductory course lecture on 'The fundamentals of accountancy', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society.
6.30 p.m. at *The King's Stores*, Middlesex Street, E1: Students' Dinner.

Friday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lectures on 'The functions and form of the profit and loss account and balance sheet', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society, and 'The English judicial system', by Mr Patrick W. Medd, Barrister-at-Law.

THE INSTITUTE OF INTERNAL AUDITORS

The following meetings will be held in October for the purpose of forming Chapters of The Institute of Internal Auditors:

Glasgow: Wednesday, October 15th, 7.30 p.m.: Room C, Chartered Accountants' Hall, 220 St Vincent Street, Glasgow, C2.

Birmingham: Wednesday, October 22nd, 7.30 p.m.: Imperial Hotel, Temple Street, Birmingham, 2.

All those who are responsible in a manage[illegible] supervisory capacity for the internal auditing ac[illegible] within their organization are invited to attend.

Mr W. J. Smith, C.A., the European Regional Vice-President of the Institute, and Mr J. O. Davies, F.C.A., A.C.W.A., the President of the London Chapter, will attend the meetings.

At present the only Chapters in the United Kingdom are the London Chapter (founded 1948 – membership 120), and the Manchester Chapter (founded 1958 – membership 26). A successful inaugural meeting was held at Newcastle upon Tyne on September 25th, and a resolution passed that a Newcastle upon Tyne Chapter should be formed.

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OCTOBER 18TH, 1958 VOL. CXXXIX. NO. 4374

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Making Legal History

LEGAL history was made this month when the new Restrictive Practices Court began the hearing of its first case[1]. The Court was set up by Section 2 of the Restrictive Trade Practices Act, 1956. It consists of five judges of whom one, nominated by THE LORD CHANCELLOR, is President, and not more than ten other members, it may sit in two or more divisions, like the Court of Appeal. The lay members, one of whom is MR W. G. CAMPBELL, B.A., F.C.A., are appointed on the recommendation of THE LORD CHANCELLOR and must have knowledge or experience of industry, commerce or public affairs.

The Act provides for the compulsory registration of agreements imposing restrictions on trading in goods. Many such agreements have been terminated since the Act came into force but many others have been registered. Registration does not by itself make an agreement void but it does make it liable to be brought before the Restrictive Practices Court. It is the function of this Court, usually on the application of the Registrar of Restrictive Trading Agreements, to declare whether or not any restrictions by virtue of which an agreement was registered are contrary to public interest. If it finds that a restriction is contrary to public interest, the agreement is to be void in respect of that restriction. Moreover the Court may, on the application of the Registrar, make orders (enforceable by imprisonment) restraining persons from either enforcing the restriction or from making any other agreement imposing a like restriction.

What the public interest is, in any given case, would be largely a matter of opinion but the Act lays down certain rules by which the Court is bound. Section 21 provides that a restriction is to be presumed to be contrary to the public interest unless the Court is satisfied as to one or more of seven different circumstances which the section sets out, and is also satisfied that the restriction is not unreasonable having regard to the balance between those circumstances and any detriment to the public or to persons not parties to the agreement. Thus the Act imposes a fairly heavy burden of proof on those who wish to justify a registered agreement.

On questions of law, such as the proper construction of the words of Section 21, the opinion of the judges is to prevail over that of the lay members. Subject to that, the decision will be a majority and the judgment will be delivered by the presiding judge, who has a casting vote. On questions of fact the decision of the Court is final, but on questions of law there is a right of appeal to the Court of Appeal.

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[1] See 'Weekly Note' at page 474 of this issue.

Controlling Public Expenditure

EVERYONE is agreed that we are too heavily taxed. Income tax at a standard rate of 8*s* 6*d* in the £ would have been unthinkable as a peacetime impost before the last war and even for some time after Dunkirk it was still regarded as the maximum. Admittedly, the State has shouldered unprecedented burdens in the realm of social services which necessarily entail heavy taxes, but every effort ought to be made to keep these down as much as possible.

From time to time appear reports of one of the committees of public accounts which pin-point particular instances of waste of public funds and no doubt this publicity has a salutary effect. But there is need to ensure continuous control of expenditure by civil servants themselves. The sixth report of the Select Committee on Estimates in the session 1957–58[1], now published with minutes of most of the evidence considered, is of particular interest. It deals with Treasury control of expenditure – that is, the methods of such control and their effectiveness or otherwise, rather than with any specific expenditure.

The report begins by pointing out that such a general inquiry into methods of control had not been undertaken by the Select Committee on Estimates since it was appointed after the last war. The Public Accounts Committee has considered the topic only once in that period and then only very briefly. Even when so narrowed, the topic has a very wide range and the sub-committee which dealt with it concentrated almost exclusively on examining the methods of Treasury control over 'supply' expenditure – that is, all types of expenditure other than 'establishment' expenditure (expenditure on personnel remunerated from the public funds). These two types of expenditure are to a large extent treated separately by the Treasury, but the committee doubted whether this separation was justified. Moreover, in view of the importance of strict control of the Civil Service, the committee considered that the control of establishment expenditure should also be reviewed. Of course, Treasury control of expenditure forms only part, together with Parliamentary and departmental control, of the machinery for limiting and directing the expenditure of voted money by the executive. Parliament must look largely to the CHANCELLOR OF THE EXCHEQUER and his advisers in the Treasury to see that there is effective control of both the total and the detail of Government expenditure. The report quotes the conclusion reached by the Haldane Committee in 1918 that 'on the whole, experience seems to show that the interests of the taxpayer cannot be left to the spending departments'. It adds that since Government expenditure comprises a higher proportion of the national income, and because of the fundamental part it plays in the economy, the interests of every citizen – whether taxpayer or not – are all the more deeply involved, and it is all the more important to see that they are entrusted to the right hands.

Developments over the last forty years have followed naturally on the principle that 'finance is something integral with policy and cannot be disassociated from it'. The permanent secretary of a department who is the chief policy adviser to his Minister nowadays also holds, as accounting officer, the responsibility under his Minister for expenditure. Another development, which the committee welcomed, was the sense of partnership between Treasury and spending department; the two working together as a team and o[illegible] look-out not only to avoid unnecessary expenditure but to increase efficiency.

It is curious that most of the powers of the Treasury in relation to control of expenditure are traditional – they do not appear in any statute or formal constitutional document. Control, says the report, must operate at four levels: first, the Treasury must play a part in deciding the total expenditure for all services; secondly, the Treasury must be concerned that there is a proper balance of expenditure between services; thirdly, it must help to determine the total expenditure on individual policies and services; finally, the Treasury must have a continuing concern to see that the money is spent as wisely as possible by each department.

In this system there is a real danger that while strict control is applied to new projects, expenditure once sanctioned tends to go on without much question even after it has ceased to be so worth while as a new project which is rejected.

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[1] *Treasury Control of Expenditure.* H.C.P. 1957–1958, 254–I. H.M.S.O. 20*s* net. See also *The Accountant,* August 23rd, 1958, at page 226.

The committee expressed disquiet at the extent of underestimating the cost of new projects. One example was that the cost of refitting and modernizing H.M.S. *Victorious* was originally estimated at something under £10 million over four or five years, while the final cost was of the order of £20 million spread over eight years. Another instanced a Ministry of Supply contract estimated in March 1956 to cost £200,000 which had risen by May 1957 to £700,000.

A further matter which caused the committee concern was the perhaps natural obsession with annual accounts – the concentration on the expenditure of the coming twelve months, without keeping an eye on the probable future expenditure over several years. It welcomes a recent development in the control by the Treasury of defence expenditure under which 'forward looks' or forecasts for the next three years are made in order to give the Treasury some idea of its future commitments in this field. Such a 'forward look' may produce modifications in policy and the committee expressed its disappointment at the absence of a similar development on the civil side.

There is one respect in which the committee recommends that Treasury control be relaxed. It concerns the 'write-off' of cash and stores losses and the making of various forms of *ex gratia* or extra-contractual payments. At present the Treasury keeps a tight control of these matters, the limits of authority delegated to the individual departments being kept very low. Since the interests of a department are the same as those of the Treasury in this field, namely, to keep such losses as low as possible, the committee sees no reason why full reliance should not be placed on the accounting officer of the department himself to make a thorough investigation of each case and apply the lessons learned from it.

Assurance Policy Moneys–II

MORE ESTATE DUTY CASES

by SPENCER G. MAURICE

Paragraph (*d*) Claims

THE claim of the Crown in *In re D'Avigdor* to duty under paragraph (*d*) of Section 2 (1) of the 1894 Act was rejected by the House [illegible] Lords (where the case is reported *sub nom.* [illegible]*vigdor-Goldsmid v. C.I.R.* (32 A.T.C. 26; [1953], 1 All E.R. 403), their lordships holding that no claim for estate duty arose under paragraph (*d*) on the maturity of a policy on the life of a deceased where that policy had been the absolute property of another for more than five years.

Lord Morton of Henryton pointed out that to give rise to a claim for duty under that provision three conditions must be satisfied:

(i) there must be an annuity or other interest;

(ii) it must have been purchased or provided by the deceased either by himself alone or in concert or by arrangement with some other person; and

(iii) a beneficial interest therein must accrue or arise by survivorship or otherwise on the death of the deceased.

The claim of the Crown to duty failed because the third condition was not satisfied since, as the House of Lords held, the 'other interest' provided by the deceased was the policy itself and not the right to receive the policy moneys; and, on the facts of the case, the whole beneficial interest of the policy had passed to the donee more than five years before the donor's death. It followed that the beneficial interest of the donee in the policy was exactly the same before and after the donor's death, although the policy became more valuable by reason of the death.

In *In re D'Avigdor* the donee was given the entire interest in the policy. In the *Westminster Bank* case and *Wrightson's* case interests in succession were given.

Facts of the *Westminster Bank* Case

In the *Westminster Bank* case the House of Lords was concerned with a settlement of two policies by the settlor in 1929. In the case of one of these policies the insurers promised, in consideration for a single premium already paid at the date of the settlement, to pay to the executors, administrators and assignees of the settlor the sum of £7,000, with profits, on the settlor's death. In the case of the other policy, in consideration of the annual premiums payable during a period which had expired at the date of the settlement, the insurers covenanted on the settlor's death to pay or transfer to his executors, administrators and assignees two specified 4 per cent Victory Bonds of £5,000 each: this policy provided for the event of either of the bonds being withdrawn for redemption during the policy's currency.

The policies were assigned by the settlor to the appellant bank upon trust to pay out of the proceeds thereof all death duties leviable at the settlor's death in respect thereof and to invest the residue of the policy moneys and a sum of £12,000 in investments mentioned in the settlement. The bank was directed to accumulate the income of the fund until June 30th, 1942, and from and after that date to pay the income thereof and of the accumulations thereof to the settlor's son during his life and to hold the capital and future income of the fund and the accumulations after the death of the settlor's son in trust for his issue. In the event of these trusts failing, the settlor's nephew and his issue were to take corresponding interests.

The settlor's son died without issue in 1937 and the settlor died in 1951, when, accordingly, the policies matured. The question was whether estate duty was payable on the proceeds of the policies on the settlor's death in respect of the nephew's life interest.

Court of Appeal Reversed

Harman, J., following *In re D'Avigdor*, held (*sub nom. In re Barbour's Policies of Assurance, Westminster Bank v. C.I.R.*, (34 A.T.C. 191)) that no estate duty was payable in connection with the death of the settlor, but his lordship's decision was reversed by the Court of Appeal (35 A.T.C. 6), who distinguished *In re D'Avigdor*, holding, that on the death of the settlor the nephew, the tenant for life, acquired new additional rights which he did not before possess.

The *ratio decidendi* of the Court of Appeal was that the property provided by the settlor was the policies and the whole of the contractual rights comprised therein including the right upon the happening of a future event to receive the policy moneys, and that when that event happened there arose or accrued to the tenant for life for the first time a beneficial interest, namely, the right to the present enjoyment thereafter of the income. The House of Lords (Lord Radcliffe dissenting) has now reversed the decision of the Court of Appeal and restored the decision of Harman, J., applying, as did the learned judge, *In re D'Avigdor*.

The leading speech of the House of Lords was delivered by Lord Morton of Henryton (as had been the leading speech in *In re D'Avigdor*) who pointed out that two questions must be answered: first, whether by the settlement the settlor provided 'any annuity or other interest' within the meaning of Section 2 (1) (*d*) of the Act of 1894; and secondly, if so, whether on the death of the settlor a beneficial interest in the property so provided accrued or arose to the settlor's nephew, the life-tenant, within the meaning of that provision.

Considering the first of these two questions his lordship referred to the fact that in *In re D'Avigdor* he had expressed a doubt whether a policy of assurance was an 'annuity or other interest' within the meaning of the section. In the absence of authority, said his lordship, he would still have felt the same doubt but in *Attorney-General v. Murray* ([1904] 1 K.B. 165) (a case which had not been cited to their lordships in *In re D'Avigdor*) the Court of Appeal had answered that question in the affirmative, while the House of Lords itself, in *Adamson v. Attorney-General* (11 A.T.C. 513) had given a wide meaning to those words. His lordship pointed out that, had the decision in *Murray's* case not been in accordance with the intentions of the Legislature, it was reasonable to suppose that the necessary amendments to the law would have been made in some subsequent Finance Act.

In the circumstances his lordship thought [illegible] this was a plain case in which the principle *stare decisis* should be applied and he would therefore hold that in providing the policies the settlor provided an 'annuity or other interest' within the meaning of paragraph (*d*). His lordship added that in his opinion the settlor also 'provided' the moneys which became payable to the trustees on his death and the investments from time to time representing those moneys during the continuance of the trusts since all those items of property were the direct result of the settlor's bounty. He referred to the fact that there appeared to be no satisfactory answer to the question, put in the course of argument: 'If the settlor did not provide these moneys and investments, who did provide them?' His lordship went on to correct a possible misunderstanding which might have arisen from his speech in *In re D'Avigdor* by his statement that the only 'other interest' provided by the donor was the policy: the point was that

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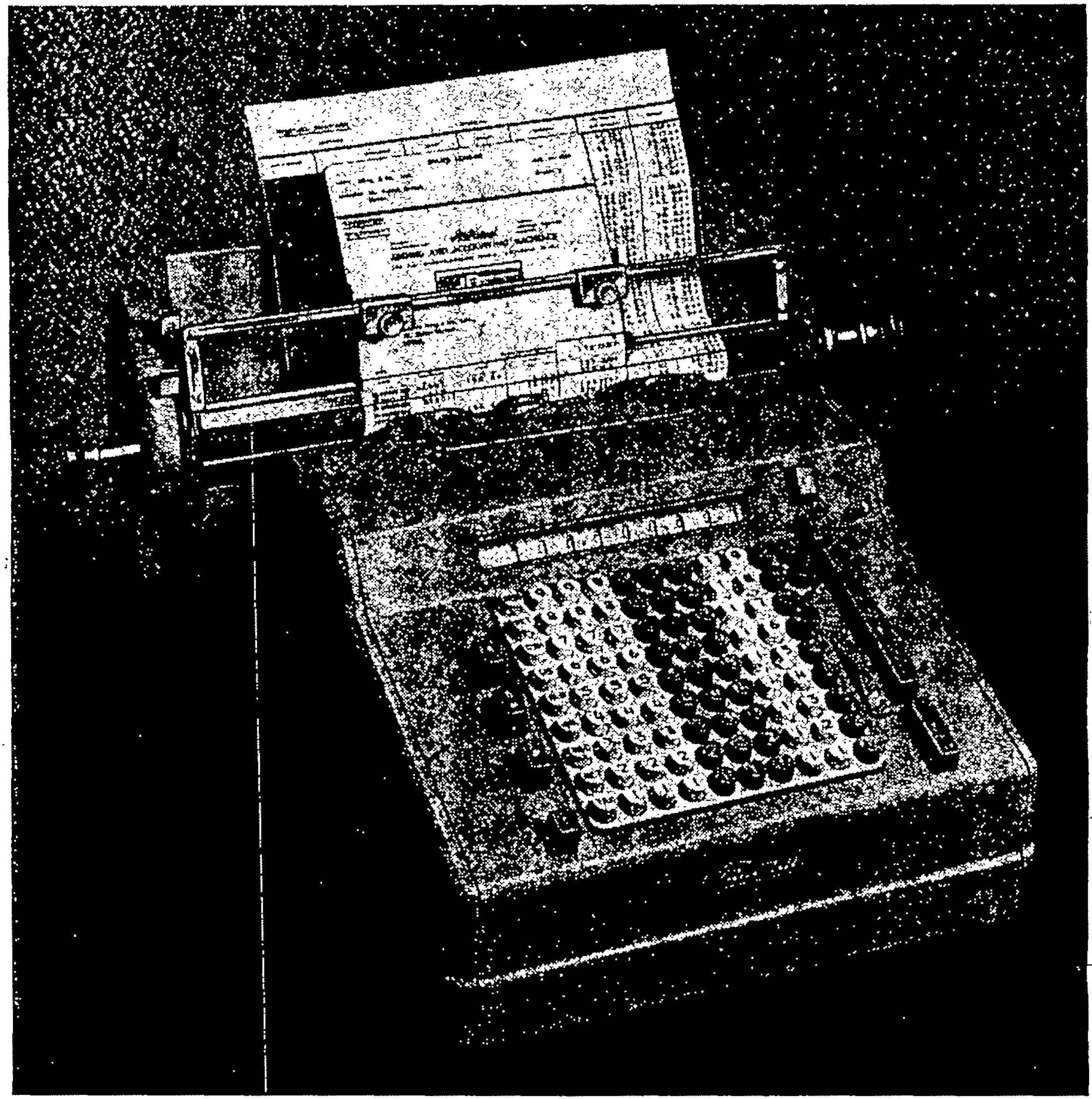

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the donor did not provide the policy moneys only, but the policy as well. His lordship's answer to the first question was in the affirmative.

Extent of Donee's Interest

Turning to the second question, his lordship pointed out that the difference between *In re D'Avigdor* and the present case was that in the former case the donee had the entire beneficial interest in the policy both before and after the donor's death while in the present case the settlor's nephew had a life interest only.

Lord Morton of Henryton found that the facts of the case before him corresponded closely with those in *Lord Advocate v. Hamilton's Trustees* (21 A.T.C. 253), which the House of Lords approved in *In re D'Avigdor.* In *Lord Advocate v. Hamilton's Trustees* the deceased, who died in 1936, had in 1912 settled certain policies on his life on trusts for the benefit of his sons and daughter. The sons were to become absolutely entitled on attaining the age of twenty-five, but the daughter's share was settled on her for life with remainders over.

The trusts stated that the provisions in favour of the children 'shall vest in them respectively at the date hereof'. The policies became fully paid in 1914 and 1915 and the premiums payable in the meantime were borrowed from the deceased by the trustees. When the deceased died, duty under paragraph (*d*) was claimed on the amount of the policy moneys, less the amount borrowed from the deceased by the trustees in order to pay the premiums. The Inner House of the Court of Session, affirming the Lord Ordinary (Lord Keith), rejected the claim, holding first that in the circumstances the properties sought to be charged had not been provided by the deceased, and, secondly, that there was no beneficial interest accruing or arising on the death of the deceased, in respect that the whole interest in the policies had passed to the beneficiaries twenty-four years before the truster's death, their interest having fully vested.

No Change in Donee's Interest

Lord Morton of Henryton said that he could see no real distinction between the position of the daughter in that case and the position of the nephew in the case before him. To ascertain what were the beneficial interests in the property provided, it was possible only to look at the settlement, and the succession of beneficial interests set out therein did not include any one which came into being on the death of the settlor: under the trusts the nephew was tenant for life in possession both immediately before and immediately after the settlor's death. As Lord Porter had said in *In re D'Avigdor*:

> 'He did not get a new interest: he obtained the fruition of the interest which he already held.'

Lord Morton of Henryton accordingly concluded that the second question should be answered in the negative and the appeal allowed. Earl Jowitt concurred with Lord Morton of Henryton's opinion. Lord Reid delivered a concurring speech in this appeal.

Interest Arises from Contract not Survivorship

Lord Keith of Avonholm, who also concurred, said that he understood the Crown's argument to be that, where an insurance policy on a settlor's life had to be held by trustees till his death, so that a life-tenant could not enter into enjoyment of his life interest in the proceeds of a policy till after the settlor's death, a beneficial interest arose or accrued in the life policy to the life-tenant upon the death of the settlor. This seemed to him to make the question turn not on the terms of the settlement but on the nature of the asset put into the settlement. His lordship rejected this argument because, as he said, it would be a remarkable thing if a different result would follow according to whether, as in *In re D'Avigdor*, the donee became absolutely entitled on the death of the settlor, or, as in this case, he received only a life interest.

His lordship also pointed out that if the life-tenant survives to enjoy what has been provided he takes not by virtue of a beneficial interest accruing or arising by survivorship, but because the interest provided has begun to bear fruit. Moreover, the beneficial interest arose, not by survivorship, but by virtue of a contract made with the insurance company when the policy was taken out, which contract fixed the commencement date of the annuity as the date of the deceased's death: it was not possible to distinguish this case from a case where any other date for commencement of the annuity was stipulated for in the policy.

Both Sets of Rights on Similar Basis

Lord Keith could not see that it made any difference that the settlor, wishing to benefit first one person and then another, assigned the policy to trustees. His lordship found no distinction between the rights given in the insurance policies and the rights given in the sum of £12,000: both sets of rights were given at the same time. The only difference was the times of realization; what was provided by the settlor in the case of the policies was the right thereunder to go against the insurance company, through the trustees, at the due date, in order to realize the sum out of which the life-tenant would secure his life interest, and that right existed without change from the beginning of the settlement. The enforcement of the right could not create a beneficial interest arising by survivorship.

Lord Radcliffe, in his dissenting speech, pointed out that the basic idea of estate duty was that it was charged when property changed hands on death, though it was also chargeable in respect of certain arrangements which produced results analogous to a change of hands on death, though strictly not amounting to such a change. He took the view that the settlement of a policy of the kind in question was a typical instance of such an arrangement.

Facts of *Wrightson's* Case

Wrightson's case was not reported prior to the appeal in the House of Lords, but there again Harman, J., held that duty was not exigible, finding the case indistinguishable in its facts from the *Westminster Bank* case, and his lordship's decision was reversed by the Court of Appeal. In *Wrightson's* case the settlor, who died in 1950, by a settlement in 1932 assigned four policies on his own life to trustees and directed them to receive the policy moneys and to divide them into six equal parts. Three of these were to be paid to trustees of another settlement (the N.H. settlement) as capital money.

As regards the remaining three parts, the trustees were directed to invest one such part for each of the settlor's three younger sons and to hold the income on trust for that son for life or until he became tenant for life of a certain estate (the N.H. estate). The settlement further provided that in the event of the death of any of the younger sons or any of them becoming tenant for life of the N.H. estate, his share of the trust fund should be transferred to the trustees of the N.H. settlement. The settlement of 1932 contained no power for the trustees to sell or surrender any of the policies. The settlor's eldest son became tenant for life of the N.H. estate during the settlor's lifetime, and when the settlor died his four sons were all living and over the age of twenty-one.

The Two Cases Indistinguishable

In the House of Lords, Lord Keith of Avonholm gave it as his view that from the time that the policies were assigned to the trustees there was a beneficial interest therein in the group of persons who were ultimately to take as life-tenants on the death of the settlor and that this beneficial interest remained unchanged in character from the date of the settlement, so that the case was, accordingly, indistinguishable from the *Westminster Bank* case. Lord Morton of Henryton (with whom Earl Jowitt concurred) said that he could see no good ground for distinguishing *Wrightson's* case from the *Westminster Bank* case.

In the case of this appeal both Lord Radcliffe and Lord Reid delivered dissenting judgments, the opinion of Lord Radcliffe referred to above in the *Westminster Bank* case applying also to *Wrightson's* case, since his lordship found the two cases indistinguishable. Lord Reid, on the other hand, thought that *Wrightson's* case was to be distinguished from the *Westminster Bank* case since the only express gifts to the settlor's sons took the form of directions to the trustees to pay the income from the six equal parts of the policy moneys, and he felt it difficult to infer from the terms of the settlement that, before the settlor's death, the sons had any right with regard to the policies other than the right common to all beneficiaries, no matter how remote the contingency in which they may take beneficial interests, to prevent the trustees from acting improperly and to ensure the preservation of the trust fund. It seemed to his lordship, therefore, that the only beneficial interests declared by the settlement were beneficial interests in the policy moneys received by the trustees on maturity of the policies so that those interests did accrue or arise to the sons on the settlor's death and duty was accordingly exigible.

Conclusion

It is apparent, from the new decisions which have been examined above and the earlier cases, to some of which references have been made, how doubtful and illogical is the law relating to the exaction of estate duty on moneys received under policies of assurance.

It has not been the purpose of this article to suggest ways and means by which duty may best be avoided, but rather to set out what has been decided by the Courts. But enough has been said, it is thought, to show that a man who uses the medium of the assurance policy to benefit his heirs and successors to some extent, at least, engages in a game of chance where stakes are high and the gains and losses in proportion. Such a state of affairs must indubitably bring the law into disrepute. It is high time for legislative reform in this field and it is good to know that some such reform is contemplated. (*Concluded.*)

THE FUTURE ROLE OF THE ACCOUNTANT IN PRACTICE – II

by HENRY BENSON, C.B.E., F.C.A.

Investigation Work and Special Studies

THE public is only beginning to realize the value of an independent investigation and report by a professional accountant or the advantage of asking him to make a special study of a particular subject. The form such inquiries can take knows no bounds. The more usual forms of investigation cover subjects such as the examination of a new enterprise involving capital expenditure; an inquiry into the reasons why a business is not earning profits; a review of a company's internal administration and organization; a reorganization of capital; the cost of production of different products with a view to concentrating on the most profitable lines; share valuations; the installation of a pension plan; the value of a business which is to be acquired or is to be the subject of amalgamation; or any one of a large variety of different subjects.

34. A professional accountant's capacity to find out the facts and present them fairly; to explode false arguments as the result of careful analysis; to suggest sound principles of administration, budgeting and finance; and generally to introduce a sense of realism into plans and forecasts make his work in the investigation field invaluable. It is one of the most rewarding sides of an accountant's business and it is one of the roles of the accountant of the future which has the greatest scope. But it is not work which can be undertaken lightly. The expertise required to make the inquiry and present the result in a clear and balanced form takes a long time to acquire. Only experienced staff can be used and they cannot normally undertake other jobs at the same time because investigation work is too demanding in time and concentration. But there is another aspect which affects the accountant's approach to this type of work. Clients are not impressed by a report, however detailed or painstaking, unless it is concluded by a firm opinion. I do not suggest that the accountant's traditional attitude of caution should change or that he should cease to be impartial. The point I am seeking to make is that if we are to be of real use to our clients, we must be prepared to give a common-sense business judgment on the facts we have discovered. We must be prepared to say whether we think a new venture will succeed or not; whether personnel are competent or incompetent; whether the administration of a business is sound or unsound; whether the estimates of capital expenditure are adequate or not. We are well suited to give these opinions as we usually have a better opportunity than most people of examining all the facts first; we are independent; and we have the advantage of drawing on a wide experience. The number of firms of accountants which at present does work of this nature is comparatively small but there is no reason why it should not be greatly extended. The business community is constantly seeking, and is having difficulty in finding, the advice and services of members of our profession who are prepared to undertake these responsibilities. It is a specialized work and a role we should be prepared to fill in the future.

Directorships and Government Appointments

35. Many professional accountants take the view that they should not accept directorships on the boards of companies. This attitude is adopted largely because they feel it may lead to a conflict of interest as between their position as a director of one company and their independent and impartial advice to other clients. Other professional accountants have different views, which are equally convincing, and feel that there is no objection to the acceptance of directorships. It must always remain a matter of individual choice and opinion whether to accept appointment to the board of a commercial or industrial company, but the formation of a number of nationalized industries or semi-national undertakings (the number of which may multiply under certain political conditions) has, I think, brought about a new situation. There is the greatest difficulty in finding men of the right quality to act as part-time directors of these national enterprises. Many of us disagree with nationalization but nevertheless it is now part of our social structure and we can no more disregard it than we can the payment of taxes and estate duty. I am convinced, therefore, that it would be of great advantage to the country if professional accountants would allow it to be known that they would accept appointment as part-time members of the boards of these national undertakings. It would equally be of great advantage to many members of the profession because it would enable them to view problems which they so often see from one side of the board table only, from the other side also.

36. There is another aspect of this subject. The complexity of the many functions which succeeding Governments have assumed for themselves has resulted in the setting up of innumerable working parties, study groups, committees of inquiry and similar bodies which are charged with the task of studying all the relevant information and making recommendations. The work is usually unpaid and

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The concluding part of an address delivered at the autumn meeting of The Institute of Chartered Accountants in England and Wales, in London, on October 2nd, 1958.

the time required to do it justice is considerable. Nevertheless, I think that the professional accountant is under an obligation to accept these appointments because there is often no substitute for the advice and experience which he can bring to the discussion. It is one of the contributions which, as a profession, we can make to the community.

Share Valuation Work

37. When dealing with investigation work, I pointed out that the professional accountant often has to undertake the valuation of shares of public and private companies when amalgamations or re-organizations take place, for the purpose of take-over bids and other acquisitions, and last but not least for estate duty purposes. The reason for singling it out for separate mention is that this type of work may grow considerably if a capital gains tax is imposed by the present or any future Government. I mentioned earlier that the total number of companies in the United Kingdom is over three hundred thousand of which only about five thousand have a quotation on the London Stock Exchange. If a capital gains tax is to be imposed, it may well be that all sales or transfers of shares in unquoted companies will involve valuations of shares at particular dates, so that the capital gain or loss can be measured. If such is the case, professional accountants may be employed in a large number of cases and it will be worth while, in many firms, to arrange for a partner and staff to specialize in this type of work. It is perhaps worth recording that a great many owners of shares in private companies do not know what their shares are worth; sometimes they greatly exaggerate the value of their holdings and at others they underestimate them. We can be of great help to our clients in advising them on this subject.

Estate Planning

38. There is scope in the field of estate planning for our clients and generally in executorship and trustee work. Where the professional accountant attends to the taxation affairs of a private individual he can and should, in conjunction with solicitors and counsel, advise him on the estate duty position and the advisability of making provision for himself and for children and dependants. In this way the professional accountant becomes familiar with the personal affairs of many of his clients who naturally often wish to appoint him as executor or trustee. The professional accountant is well fitted for appointment in this capacity as he can attend to the records and the preparation of annual accounts and other statements. I should say in this context, that very often the accounts and records maintained by private individuals who are appointed as executors and trustees but are not professionally trained, are sadly deficient. Estate planning and trusteeships are types of work which can be developed but, like the related subject of taxation, they require specialized knowledge and continuous study of current legislation.

39. Some firms of practising accountants have found it convenient to form private companies with unlimited liability in which the partners are both the shareholders and directors, to undertake the work of acting as trustees of settlements and in the case of deceased estates. This has the advantage of continuity as it avoids the necessity for making changes when a partner dies or retires. I should perhaps mention that the Institute has laid down certain principles with regard to the formation and use of limited companies which must of course be observed if a practising accountant wishes to administer this part of his work in this way.

Bankruptcy and Liquidation

40. The amount of bankruptcy business available to the profession is comparatively small and with the steadily increasing use of limited companies I do not think it will ever become a significant part of the work of a practising accountant except for the few firms who specialize in it. The traditional business on which our profession was founded has therefore fallen to insignificant proportions.

41. On the other hand, the work of acting as liquidator of limited companies is likely to increase and I have already given some figures indicating the growth of the number of limited companies. At the present time six or seven thousand companies are struck off the register each year for one reason or another, most of which are formally put into liquidation and liquidators are appointed. Like all other forms of professional work there is an expertise in liquidations which can only be acquired by experience but the difference between a good liquidator and a bad one can make a considerable difference to the ultimate dividends paid to the creditors. In the larger firms where one or two liquidations are always open it is not unusual for the class of work to be dealt with by partners and staff who specialize in it.

Receiverships

42. We have not lived through a serious industrial depression in this country since 1930 and the depression before that was in 1921. Governments hope to avoid a repetition of those crises in which they may or may not prove to be successful. My personal conviction is that there will nevertheless be periods of depression, though perhaps not as severe as the two I have mentioned. When they come there will be a demand by bankers and the investment houses for receivers who can take control of concerns which have got into difficulties and perhaps bring them back to a prosperous future again. A good receiver needs much more than technical ability. He must have a commercial sense, the power to negotiate and the business judgment as to when a venture should be stopped or proceeded with. It is a service which we ought to be able to provide and we should be well advised to prepare for the demand which is bound to arise at some time in the next few years.

43. While on the subject there is an aspect of it which warrants comment. Many receiverships and liquidations ought not to happen. The warning signs that trouble lies ahead appear usually months, if not years, beforehand and they should be more readily apparent to the auditor than to most people. The auditor of the future must be someone who is prepared to read the signs and warn the directors of the path they are treading so that they can take action in good time. It takes courage; but it typifies my conception of the professional accountant of the future.

Secretarial Work

44. The continued growth of limited companies enables the professional accountant to offer secretarial services to small companies, many of which, being virtually run by one man only, cannot afford a full-time secretary. They are therefore glad to delegate the task of looking after the minutes, statutory work, the filing of returns and other essential work of this nature to a professional office which has the experience. It is useful bread and butter work which helps to pay the overhead expenses. I have noticed also two other aspects of secretarial work which appear to be increasing in scope. The first is that of entrusting to professional accountants the payment of the salaries of top management; the second that of supervising pension funds, the number and size of which are increasing year by year.

45. There is other work of a secretarial character, however, which is of greater significance. There are numerous trade and trading associations which often wish to appoint independent firms of accountants to act as secretaries to the association. This is sometimes done merely to avoid the necessity of appointing whole-time paid secretaries, but there is often the added reason that the independent accountants examine returns from all members of the association in a confidential capacity and later circulate them in a coded or summarized form. This already happens in some industries and as time goes on it is possible that it will become more and more the practice of members of an industry to exchange information about costs with a view to increasing the overall efficiency of the industry. The process may well be expedited by the Restrictive Trade Practices Act, 1956, which has caused many industries to review their existing arrangements and, in some cases, has led them to seek new methods, such as those I have described, to increase their efficiency. The professional accountant has an opportunity in this field. His position of independence and his capacity to analyse and present essential facts and figures enables him either to act as secretary to associations of this sort or, if they are large enough to employ a salaried staff of their own, as adviser.

Arbitrations

46. The professional accountant is sometimes appointed as arbitrator. In particular cases he is unquestionably the best person for the job and there always will be occasions in the future when his services are required in this way. This work is, however, of a casual nature and it is unlikely that it will ever be substantial. The Courts are jealous of their responsibilities for settling disputes and, except in special cases, it is better that the normal processes of the law should be followed.

Registration Work

47. Some firms of accountants act as registrars of public companies which have a quotation on the stock exchange. There is not a great deal of this type of work available as there is keen competition to secure it by both the banks and the issuing houses. In any case the number of companies with a quotation is not large and the volume of this work will therefore probably always be small and concentrated in the hands of a few firms only.

Expert Witness

48. The professional accountant is sometimes called upon to act as an expert witness in arbitrations, valuation tribunals or on legal actions in the Courts. It is exacting work and it requires immense preparation. Very often, moreover, a great deal of time has to be wasted in attending the hearing and listening to evidence which is irrelevant to the particular issues upon which the accountant has to give testimony. The volume of this type of work rises and falls for political rather than commercial reasons. Nationalization legislation after the Second World War, with the consequent necessity of making valuations, created a special demand for the expert evidence of accountants but, for the time being, the demand has slackened. Political changes, in particular the inquiries now being instituted under the Restrictive Trade Practices Act, may bring about a recrudescence in the future.

The Accountant as General Adviser

49. I have dealt with all those classes of work which are now open to us or which will, I think, be open to us in the future and the lines on which they may possibly develop. There is one additional service which the professional accountant performs and which, I hope, he will continue to provide for the future. That is to act as friend, adviser, and confidant to his clients. Times without number clients feel the need not of technical advice on accountancy matters, but of discussion with somebody whom they can trust who will give them detached and common-sense advice. It may be on personal affairs, trends of economic or political thought and the probable effects thereof upon the clients' business, problems of personnel and human relations, or a host of other diverse questions. There may be little chargeable time in providing this service but it is one of the most satisfying tasks which the professional accountant can perform.

The Growth of the Profession

50. I had hoped to be able to present to you some statistics showing the growth of our profession in the past thirty years and a comparison of the rate of growth with other professions as this would enable one to make some intelligent guesses about the future. In fact it has proved impossible to do this, either because the necessary figures were not available from the many sources from which they had to be obtained or because they were not available on a comparable basis. It is a subject which would be worth further study in itself but this is not the occasion on which to pursue it.

51. The result of such inquiries as I did make, however, can be summarized as follows. In 1940 the total membership of all the accountancy bodies in the United Kingdom was approximately 34,000. In 1950 it had risen to approximately 40,000 of which 10,000 to 11,000 were known to be in practice. At the present time the total number is probably about 58,000 of which the number known to be in practice is probably just over 13,000. This is a considerable growth and we are now among the largest of the recognized professions in the United Kingdom. This rate of growth cannot go on indefinitely but there is no sign at present of any slowing down. Indeed it is possible that, as a result of the recent scheme of integration of The Institute of Chartered Accountants and The Society of Incorporated Accountants, the rate of growth may be greater for a few years as the number of articled clerks which members of the Institute can now accept has been increased from two to four in respect of each member in practice. More and more people are realizing the value of an accountancy training as a background for a commercial and industrial career and that will also tend to increase the numbers.

The Structure of Professional Firms

52. It seemed to me that it would be worth while to consider the structure of the profession. Here again comprehensive statistics are difficult to obtain but the following figures give some indication of the position; they relate only to The Institute of Chartered Accountants in England and Wales as it existed in 1957, shortly before the scheme of integration with the Society. At that time there were approximately 7,500 chartered accountants in practice and the number of firms was about 3,500. About 2,000 out of the 3,500 firms were sole practitioners and a further 800 firms had two partners only. In short, about one-half of the total members in practice were on their own account or were members of two partner firms. Of the whole 3,500 firms comparatively few are recognized as specializing in any particular class of business.

53. If you agree that there is scope for the professional accountant in the roles I have suggested it seems to me that there must be some important changes in the structure of the profession. The wide scope of an accountant's duties and the need for continuous specialized study of particular subjects if he is to give expert service to his clients means that either or, most probably, both of two things must happen. Either firms generally must be larger or else certain firms must specialize in particular classes of business. It will be increasingly difficult for one man practising on his own account, or even for two men, to give a full and proper service to clients. Firms will therefore have to be increased in size so that partners can specialize and thereby provide the wide range of expert service which clients need. Apart from providing a better and more expert service, all of us who have enjoyed the benefit of several partners know the value of discussion in settling difficult points and the benefit of being able to get different points of view at short notice by walking into other partners' rooms. Larger partnerships have other advantages. It is possible to employ a better balanced staff, partners can leave their business to take adequate holidays and continuity is assured in the event of illness. There is a further great advantage that the broader base of the practice gives a much better training ground for articled clerks. I think, therefore, that partnerships will tend to increase in size and every encouragement should be given to them to do so. A well-balanced firm might, I think, comprise not less than four partners which would enable all of them to deal with a certain amount of auditing and accounting work and yet enable particular partners to specialize in the other classes of work. There will, of course, always be work for small firms of accountants dealing with sole traders and small undertakings, but if such firms wish to extend their practices into larger fields I believe that they can only do so effectively on the lines I have indicated.

54. The alternative is that some of the larger firms should specialize in particular classes of work and the smaller firms should send clients to them to get specialized advice on subjects which they cannot deal with properly themselves. This already happens to a certain extent and the tendency may increase. It is worth while bearing in mind the practice in the medical profession where the general practitioner sends his patients to specialists when their complaints need the advice of a physician or surgeon who has spent a lifetime studying that type of illness. In the same way solicitors send their clients to counsel who are known to specialize in particular subjects. The principle is no different in our own profession. It raises questions of professional ethics, however, which need handling with great care and are not appropriate to this paper.

The Need for Specialization

55. I do not know which of the two foregoing courses offers the most practical solution. The significant point remains that, in my view, there must be a much greater degree of specialization than has been the case in the past. The growth of the profes-

sion has been so rapid and the scope of the services it can offer to the public has been so much enlarged in the last few years that the need for a comprehensive plan to encourage specialization has been overlooked. It is partly due to the fact that the profession as a whole is not administered centrally and there are the several different accountancy bodies within it. The recent integration with the Society which has increased the size of the Institute and extended its authority over a very large part of the profession may be helpful in bringing about some very necessary changes in this and other respects.

Education in the Profession

56. These thoughts lead me to wonder whether we shall not have to reconsider our present basis of training both for articled clerks and for qualified members. I have stressed the need for specialization in order to give proper service to clients but it is difficult for most members of our profession under present conditions to get both the theoretical knowledge and the practical experience to equip themselves with these skills. How then are we to ensure that, as a profession, we provide them for our members? Does it mean that the period under articles should be shortened and the time thereby saved should be spent under instruction in special subjects? Will it involve post-graduate courses? Will the profession have to divide itself into specialist branches in the way that the medical profession has done? Are we giving the right training to the many accountants whom we know will leave the professional field after qualification and take appointments as accountants in industry and commerce? Shall we get the quality of articled clerks the profession needs unless we pay them properly? Are our educational standards high enough?

57. I do not propose to suggest the answers to these questions except to say with conviction that the present position is not satisfactory and to make the point that we shall not find the answers unless we begin to look for them. Now that the first period of reorganization and consolidation of the profession since the end of the war is over, and with integration an accomplished fact, I believe it is time we began to undertake long-term planning for the future. I believe that study groups should be set up to give thought to them and to other matters of a similar character which will shape our destinies during the next fifty years. They are among the biggest problems which face the accountant of the future and ones which we must begin to answer now as it is many years before an education programme can bear fruit.

58. Most of us are already finding the need not only for more specialized staff but staff generally of a better quality who will be better paid. I think it also means that we must expect and demand a different, if not a higher, standard of education than we have been satisfied with hitherto. A very large number of newly qualified chartered accountants are not capable of putting their thoughts clearly into words or of writing coherently. More and more the nature of our work will mean that we shall have to be able to express ourselves clearly in speech and in writing, and I doubt whether our present requirements from an education point of view are the right ones.

Provision of Capital

59. Another consequence of increased specialization and larger firms will be that firms will require more capital to run their businesses. Particularly is this so under inflationary conditions. I do not see how the professional accountant of the future is going to be able to accumulate the necessary capital because the burdens of taxation virtually prohibit savings except of a minor character. This is especially true during the time when capital is most needed by a professional man which is usually when he has children to educate at school or the university. I think therefore the time will come when professional firms will have to be permitted to operate as limited companies so that there will be some means of accumulating profits free of surtax, sufficient at least to provide the cash capital necessary to run their businesses. I am far from suggesting that the personal responsibility, which is an integral part of professional life, should be removed. One of the things which keeps the profession healthy is the knowledge of its members that they are responsible for their advice and opinions up to the full extent of their assets, and I think this should be retained. It may be, therefore, that the form this change will take will be the formation of unlimited private companies. Alternatively, professional partnership firms may continue to exist for the purpose of accepting responsibility but the actual work may have to be sub-contracted to limited companies of which the partners in the professional firms are the shareholders and directors. In either case the companies will, it is hoped, be able to accumulate profits necessary to provide working capital.

The Average Age of the Profession

60. I see another change in the future. In the past, owing to their inability to accumulate savings and the absence of any pension scheme, members of the profession have carried on until very late in life, far longer than executives in commerce and industry. They have done this, broadly speaking, because they could not afford to retire. Now that there are arrangements for pensions for self-employed people, it is possible, provided one starts young enough, to contemplate retiring on a reasonable pension about the age of sixty-five. This change should begin to make itself felt in the next twenty-five or thirty years as a result of which one may expect a reduction in the average age of practising members. I believe that this will be a good thing. It will tend to give a more lively approach to professional matters and it will give greater opportunities to the articled clerks of today

and those who succeed them in the next few years. It is to be expected also that members will be elected to the District Societies or to the Council at a younger age than in the past and correspondingly that they will retire earlier, though it is to be hoped that a small number of elder statesmen will be retained on the Council.

Payments for Goodwill

61. If the various prophecies come to pass, I think another consequential result will be that the payment for goodwill for professional practices, and between incoming and outgoing partners in a firm, will come to an end. It will be difficult enough, even if the formation of limited or unlimited companies is permitted, to find enough cash capital with which to run a professional accountant's business. Young incoming partners will not have the means or the earnings to pay for goodwill and the outgoing partners, instead of relying in part on the goodwill payment for their retirement as they have done, to some extent, in the past, will in future have their pensions to live on. The practice of paying for goodwill has, in any case, been declining for some years past. I think it will stop altogether in the next ten or fifteen years and for the good health of the profession it is desirable that it should be so.

The Professional Accountant's Influence in the Future

62. The professional accountant collectively and individually wields a considerable influence. The views we express publicly or in the course of our work, our conduct as members of a profession and the advice we give to the many people who seek it have, over the years, a profound effect on public and company administration, the form and substance of documents presented to the public, financial transactions of all descriptions and indirectly, if not directly, on some changes in the law. Our role in this respect is unlikely to diminish and the more we equip ourselves to undertake the types of work I have described, the greater will that influence become. There are one or two directions in which I think our influence should be exerted at once.

Accounting under Inflationary Conditions

63. We have an immediate task to lead the way in finding sensible methods of accounting and of financial administration under inflationary conditions. In short, inflation is here and in most overseas countries as a permanent evil and nothing short of an international trade recession is likely to stop it. We should remember that if the pound is deemed to be worth 20*s* in 1946 it has dropped successively in the intervening years as follows: 18*s* 9*d*, 17*s* 5*d*, 17*s* 0*d*, 16*s* 5*d*, 15*s* 2*d*, 14*s* 5*d*, 14*s* 1*d*, 13*s* 10*d*, 13*s* 4*d*, 12*s* 10*d*, 12*s* 7*d* until at the present time it is worth (based on the 1946 standard) about 12*s* only. Comparatively little has, so far, been done in the accounts of public companies to calculate what the effect of inflation has been and to provide for it out of profits so as to ensure (quite apart from expansion and development) that the business is maintained and that its capital is not diminished. Some efforts have been made by the more far-sighted industrialists to take steps to provide for this deterioration in their resources year by year as it arises but, generally speaking, the lead has come from commerce and industry and not from the profession. We have a real opportunity for leadership here as our numerous clients cover the whole field of British industry.

64. This leads to the consideration of another aspect of inflation which is the professional accountant's influence in relation to prospectuses. The statutory, and indeed the traditional approach, is for the accountant to certify the profits for a number of past years, usually ten, but it is sometimes more and sometimes less. I believe that under inflationary conditions those profits, without an explanatory statement, have only a limited value because a thousand pounds earned ten years ago is not the same as a thousand pounds earned now. It can be argued that the general effects of inflation are so well known as not to require further emphasis but I doubt whether this so. I believe that it ought to be made clear in the body of the prospectus that, because of the effects of inflation, a mere statement of past profits is not a fair reflection of future earning capacity. In short, a trading business which shows a steady profit for the past ten years is normally declining; it is holding its own only if the profits rise year by year in the same ratio as the pound is falling in value. In addition I think that the professional accountant has a role to play in regard to the replacement of capital assets. I suggest that he should not allow his name to be put on a prospectus unless the prospectus makes it clear what policy is to be adopted in order to provide for the increased cost of replacing capital assets over and above the depreciation which has been charged against the profits which have been the subject of certification. This can be done by presenting the estimate of future profits in a form which will indicate that, after paying the dividend which is forecast, they are adequate not only to provide for depreciation on the historical cost of fixed assets included in the statement of net assets but also on the basis of depreciation on the replacement cost of those assets at the time when the prospectus is issued; alternatively, if replacement at current prices is not to be made out of profits, the prospectus should indicate the sources from which it is expected that the additional capital will be provided. This is not a role which falls only on the professional accountant; it affects issuing houses, solicitors, directors and others, but the professional accountant can play a significant part in it and his influence would do more than anything else to bring about an improvement in the existing position.

Information for the Investing Public

65. Another way in which professional accountants can exercise their influence in the future is in advising the boards of companies what information they should give to their shareholders and, as regards public quoted companies the investing public, over and above the statutory accounts for which they are responsible as auditors. Here again I believe that British industry is falling somewhat behind the rest of the world and that we, as accountants, have our part to play. It used to be claimed that information furnished to shareholders or the investing public only gave information to competitors. In the great majority of cases I believe this to be nonsense. The number of companies whose interests are harmed by disclosure of reasonable information about themselves their activities and their results, is comparatively small. I believe that as professional accountants we should advise the boards of all companies that in addition to the statutory accounts, they should publish a summary of the results for the past ten years so that without unnecessary research and labour shareholders can watch the trend. I believe that whenever it is practicable to do so, figures of sales either in quantity or value, or both, should also be published. I think there should be a statement showing in a consistent form the earnings in relation to capital employed, and information showing what proportions of the net revenue of each year are retained for expansion or other purposes or distributed by way of dividend to the shareholders. Apart from providing this additional information, which is of real importance to shareholders, there is a great deal to be done in simplifying published accounts. The accounts of a great many public companies are confused by unnecessary detail and voluminous notes, much of which could be avoided. The professional accountant's influence in this direction could bring about a great improvement in a very short time.

66. But I do not think the professional accountant's advice to his clients should stop there. There is a growing anxiety on behalf of the investing public to know at shorter intervals than a year how companies are progressing. I think the professional accountant should meet this need and advise his clients on how much it is safe for them to publish, and the form in which the information should be presented, so that it will not be misleading but will still give an adequate indication to shareholders and investors how companies are faring during the course of the year.

Conclusion

67. What then in summary is the role of the practising accountant of the future? He will of course continue to be a person of integrity and independence with a balanced judgment. I hope also that he will be a man of broad general education who can express himself clearly in speech and writing. The profession of which he is a member will have organized itself so that its members can receive the training and experience necessary to provide the specialist services which the public will expect and need in the future from accountants. He will have taken advantage of these facilities; he will become a member of a firm without paying for goodwill and will have three or more partners who collectively can give a proper service to clients in all phases of a professional accountant's work, particularly investigation and organization work. The audit practice of his firm will comprise perhaps no more than 50 per cent of the gross fees and will be conducted on the lines I have suggested earlier in this paper. He will be an employer, jointly with his partners, of a balanced staff the senior members of which will, like himself, have specialized training and knowledge. His firm will pay its articled clerks adequately and have a large enough practice to train them properly. The firm will finance itself in part in one or other of the ways I have indicated and its partners will retire at sixty-five on a reasonable pension. During his service in the profession he will be, above all, somebody who is constructive in all phases of his work; who is anxious to lead rather than to follow; to initiate rather than to check the work of others. We have a long way to go to equip ourselves in these ways but unless we do so we shall fail to keep pace with the needs of our clients.

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(*Concluded.*)

Weekly Notes

Government's Pension Scheme

THE White Paper called 'Provision for Old Age' (Cmnd. 538, price 1*s* 3*d*) was issued on Tuesday afternoon. Its proposals can only be briefly outlined in a note. The Government's aim is to place the National Insurance scheme on a sound financial basis, to institute provision for employed persons who cannot be covered by an appropriate occupational scheme and to preserve and encourage development of occupational pension schemes. The White Paper's proposals cover only employed persons, the self-employed will be outside the scheme and will continue to contribute on the present flat rate to the existing National Insurance scheme.

It is proposed that the contributions of employed persons, other than those contracting out as members of an occupational pension scheme shall be 8½ per cent for both men and women, to be paid jointly by the employer and employee. This would be applied to the range of earnings between £9 and £15 a week. There will be a system of graduated pensions for those who pay graduated contributions on earnings over £9 a week. The total combined minimum weekly contribution on a wage of £9 a week will be 15*s* 4*d* a week for men and 13*s* 6*d* for women. Above this figure contributions will increase up to a maximum level.

Contracting out is to be allowed for those in approved occupational pension schemes and it is the Government's intention to organize the National scheme so that the contributory pension idea run by the life offices is not jeopardized but actually encouraged.

Exchequer support of the scheme is to be in the form of an annual contribution of about £170 million a year. This assumes that the Exchequer will continue to pay in respect of the self-employed and non-employed the equivalent of one-third of their weekly contribution. In the case of employed persons the Exchequer contribution to the fund when combined with the Exchequer contribution to the Industrial Injuries Fund will continue on its present basis and will correspond to 2 per cent of weekly earnings of the £9 to which their minimum is related.

The British System of Taxation

THE Stationery Office has published a second edition of *The British System of Taxation*[1] – No. 10 in the series of reference pamphlets produced by the Central Office of Information. The first edition was published in January 1956 and that now issued incorporates the principal changes which have taken place in the last three years, notably in income tax, profits tax and purchase tax. Other chapters which have been extensively revised are those dealing with the structure of taxation and with local taxation. There is also a bibliography, as well as an appendix which gives briefly and clearly the position of Northern Ireland in the United Kingdom financial framework.

Such a comprehensive survey, in such brief compass (fifty-three pages), is of very great benefit, not to foreigners only but to anyone having anything to do with British taxes. Its up-to-dateness is emphasized by the fact that the new rates of stamp duty introduced last August are duly set out.

Restriction on Sale of Proprietary Medicines

THE first reference to the Restrictive Practices Court, which began its first sitting on Tuesday of last week, concerned an agreement subsisting between the members of the Chemists' Federation. According to the Federation, the paramount purpose of the main restriction under consideration by the Court was to restrict the sale to the public of proprietary medicines manufactured by their manufacturer members, to sales through retail chemists or pharmacists. It sought to justify this as coming within (*a*) or (*b*) of Section 21 (1) of the Restrictive Trade Practices Act, 1956. These rebut the presumption of a restriction being contrary to public interest if the Court is satisfied:

(*a*) that the restriction is reasonably necessary, having regard to the character of the goods to which it applies, to protect the public against injury (whether to persons or to premises) in connection with the consumption, installation or use of those goods;

(*b*) that the removal of the restriction would deny to the public as purchasers, consumers, or users of any goods other specific and substantial benefits or advantages enjoyed or likely to be enjoyed by them as such, whether by virtue of the restriction itself or of any arrangements or operations resulting therefrom.

A list of goods published by the Chemists' Federation as being subject to the restriction included about 2,500 items. The Federation argued that medicines should not be sold by unqualified persons, but by chemists who would be able to advise the purchasers against buying things which were harmful to them. Moreover, if medicines were available at other shops, chemists would be put out of business and therefore would not be available for making up doctors' prescriptions. Another benefit to the public was that the items in the list were all thoroughly tested as to quality.

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[1] H.M.S.O. 3*s* 6*d* net.

On Monday of this week the Court rejected these submissions and held that the main restriction was void. Counsel for the Registrar of Restrictive Trading Agreements asked for an injunction restraining the Federation from operating the restriction but the case was adjourned for argument on the other restrictions.

Option Dealings and Exchange Control

THE Bank of England has issued to banks and stockbrokers a notice regarding dealings in options and the arranging of contangoes under the Exchange Control Act, 1947. Authorized depositaries are informed that they may deal in options on their own behalf, or on behalf of their customers, subject to the rules which would apply to a dealing in the security concerned. If it is desired to deal in options in any other manner, reference must be made to the Bank. The notice sets out the rules as applicable to option dealings and includes a direction as to dividends and interest becoming due on the underlying securities.

Finance for Fatstock

READERS who are concerned with the affairs of farmer clients will be interested in the credit schemes for financing the production of fatstock now being sponsored by Fatstock Finance Limited, a company controlled by the National Farmers' Union Development Co Ltd and the Fatstock Marketing Corporation Ltd. Farming, like most other industries today, is hampered in its schemes for expansion of production by the need for more capital at relatively cheap cost. In the case of fat cattle and sheep this is aggravated by the time-lag between the initial purchase of stock and the point at which stock comes into full maturity.

The general basis of the schemes now introduced is that finance can be obtained, subject to suitable safeguards, towards the original cost of stock, which enables the producer to take full advantage of the capacity which he has for raising beef cattle and sheep without the risk of having to realize either before full maturity has been reached or at a time when market conditions are unfavourable. The conditions of such advances include a link-up on the selling side with the Fatstock Marketing Corporation and there are service charges in addition to the interest on the advances. The sponsors point out that the charges and interest involve less expense to the producer than other methods of obtaining finance, with the exception of a bank loan at current rates. Such bank loans, however, are not always available for this particular purpose.

Leaflets, commendable for their clarity and simplicity, giving full details of the schemes, are obtainable from the area offices of the Fatstock Marketing Corporation or Fatstock Finance Limited.

Record Payments Surplus

IT was expected that the balance of payments for the first half of 1958 would show a substantial surplus. In the event, figures published this week in a White Paper (Cmnd. 540, H.M. Stationery Office, 1*s* 3*d*) show that in the first six months of the year the surplus was £334 million. This was more than any full year since the war.

The main contributory factors have been a surplus of visible trade alone of £137 million due to lower import prices – a state of affairs achieved for the first time this century. The two other factors have been the fall in tramp shipping freight rates and the delayed reaction of the fall in the buying power of primary producers on British exports. It is expected that the second half of this year will also show a surplus but it is not expected to be as large as in the first half of the year.

For a number of years successive Chancellors of the Exchequer have tried to achieve an overall annual surplus of £300 million. Mr Butler was the first Chancellor to put an actual figure to the target. It has now been achieved in half a year. Two points are outstanding from these remarkable figures. The first is that the American recession has had a remarkably delayed effect on the sterling area's export position and even when lower world commodity prices began to influence the purchasing power of the Dominions, they were able to keep up their purchases of United Kingdom exports by running down their considerable sterling balances. What was considered ten years ago to be an onerous cause of unrequited exports from this country has turned out to be a valuable cushion against a drop in United Kingdom exports. The continuing strength of sterling owes a good deal to this exceedingly healthy state of the balance of payments but something as well to the weak position of the dollar.

Coal Companies Restored to Life

IN the Chancery Division on October 7th, Mr Justice Vaisey made orders declaring that the dissolution of the Wigan Coal Corporation and the Wigan Coal & Iron Company was void. The order was made on the application of the liquidator of the former company, which company was a shareholder in the second company. The Wigan Coal Corporation was deemed to be dissolved on October 12th, 1956, but the court had power, on the application of the liquidator or other interested person to declare the dissolution void within two years. The application arose out of a decision of the Court of Appeal with regard to another coal company (*Whitworth Park Coal Co Ltd v. C.I.R.* (37 A.T.C. 106)) to the effect that tax had been wrongly deducted from payments of interim income under the Coal Industry Nationalization Act. It was said on behalf of the companies that if they were restored it might be possible to claim some tax benefit which would then be distributable among the contributories.

Finance and Commerce

Hide & Co Ltd

THIS week's reprint gives the accounts of Hide & Co Ltd, the retail store group whose affairs have of late been so much in the news. Mr W. H. Knowland, the chairman, opened the recent annual general meeting of the company with a warning that he was not prepared to deal with matters that were *sub judice* or which were in the hands of the Board of Trade.

Many readers will no doubt have been following the proceedings for the insight they give into a sphere of company finance and administration that fortunately for most is outside their daily routine, and the reproduction in these columns of the company's accounts, and accompanying notes, for the year to January 31st, 1958, may be welcomed.

Cash Shortage

The directors, in their report, deal particularly with the shortage of cash resources. The three chief causes of this, they state, are:

'(1) an extremely generous distribution policy which has left little or no margin for ploughing back profits in the form of reserves;

(2) the acquisition and development of new businesses without the issue of additional cash capital to finance them; and

(3) losses outside the scope of the company's normal trading activities.'

In the six years to January 31st, 1957, they point out, total net dividends amounted to £512,000 out of total net earnings available to Hide shareholders

HIDE & CO. LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st JANUARY, 1958

1957				
£	£		£	£
609,051		**GROUP TRADING PROFIT** (see Note 1)		598,104
1,158		*Add:* Gross Income from Investments		1,147
610,209				599,251
		Deduct:		
	66,949	Directors' Emoluments (see Note 2)	61,232	
	74,331	Depreciation and Amortisation (see Note 3)	84,293	
151,034	*9,754*	Interest Charges	16,471	161,996
459,175		**GROUP PROFIT,** before Taxation		437,255
		Deduct:		
		Provision for Taxation—		
	74,500	(i) Profits Tax (see Note 4)	78,250	
283,500	*209,000*	(ii) Income Tax (see Note 5)	187,500	265,750
175,675		**GROUP NET PROFIT,** after Taxation		171,505
		Deduct:		
	17,050	Subsidiary Companies' Preference Dividends (net) to Outside Shareholders	17,047	
20,821	*3,771*	Proportion of net profit of Subsidiary Companies attributable to Ordinary shares held outside the Group	3,030	20,077
154,854				151,428
		Deduct:		
9,250		Profits retained in Subsidiary Companies' accounts		12,156
145,604				139,272
		Add:		
41,006		Amount brought forward from previous year in Holding Company's accounts		77,130
186,610				216,402
		Deduct:		
—		Provision against non-recovery of Trade Loan (see Note 13)		100,000
186,610		**BALANCE AVAILABLE FOR APPROPRIATION** by Holding Company		116,402
		Deduct:		
		Appropriations for the year—		
		Dividends (*less* tax):		
	3,680	Preference Dividend	3,680	
	33,062 (10% on £575,000)	Interim Ordinary Dividend of 11% on £590,000	37,317	
109,480	*72,738 (22%)*	Proposed Final Ordinary Dividend of 10% on £647,500	37,231	78,228
77,130		Balance carried forward per Holding Company's Balance Sheet		38,174
26,680		Balance carried forward by Subsidiary Companies		38,836
£103,810		**TOTAL UNDISTRIBUTED PROFITS** per Consolidated Balance Sheet		£77,810

HIDE & CO. LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET 31st JANUARY, 1958

1957 £	1957 £		£	£ Issued and fully paid
		I SHARE CAPITAL OF HIDE & CO. LIMITED:		
		AUTHORISED:		
	80,000	£80,000 in 8 per cent. Cumulative Preference Shares of 10s. each ..		80,000
	565,000	£740,000 Ordinary Stock in units of 1s. each (see Note 6)		637,500
	10,000	£10,000 in "A" Ordinary Shares of 1s. each		10,000
655,000		£830,000		727,500
		II CAPITAL RESERVES:		
	415,447	Share Premium Account (see Note 7) ..	384,197	
	184,782	Revaluation Reserve (see Note 8)	192,012	
600,229				576,209
		III REVENUE RESERVE:		
103,810		Undistributed Profits		77,010
251,883		**IV FUTURE TAXATION** — Schedule "D" 1958/59		256,210
1,610,922				1,636,929
		V OUTSIDE SHAREHOLDERS' INTERESTS IN SUBSIDIARY COMPANIES:		
	530,010	Preference Shares and Dividends accrued thereon (see Note 9)	530,007	
	57,247	Ordinary Shares and proportion of Reserves and Dividends attributable thereto (see Note 10)	57,014	
587,257				587,021
2,198,179				2,223,950
99,750		**VI MORTGAGES** secured on certain Freehold and Leasehold Premises		93,850
		VII PROVISIONS:		
	86,669	Provision for Capital Contingencies (see Note 11)	25,803	
	11,194	Staff Welfare Accounts	10,894	
97,863				36,697
		VIII CURRENT LIABILITIES:		
	—	Bank Overdraft (Secured)	160,496	
	822,440	Creditors (see Note 15)	740,349	
	302,926	Taxation	336,447	
		Ordinary Dividends (*less* tax):		
	33,062	Interim—Payable 31st January, 1958 ..	37,317	
	72,738	Proposed Final	37,231	
	1,840	Preference Dividend (*less* tax)	1,840	
1,233,006				1,313,680
£3,628,798				£3,668,177

1957 £	1957 £			£ At cost or Valuation	£ Aggregate Depreciation since	£ Net
		I FIXED ASSETS:				
362,607		Freehold Premises		386,353	—	386,353
744,627		Leasehold Premises		912,882	167,235	745,647
415,309		Machinery, Furniture, Fixtures and Motors		806,607	283,804	522,803
1,522,543				£2,105,842	£451,039	1,654,803
		II COST OF CONTROL				
475,102		of Subsidiary Companies, being excess of total purchase consideration over net book value of tangible assets acquired				484,272
		III INVESTMENTS AND LOANS:				
		Investments at cost, *less* amounts written off:—				
	23,127	Quoted (Market Value £22,334)			27,670	
	41,948	Unquoted (see Note 12)			33,348	
		Trade Loans		£175,000		
	170,000	*Less*: Provision (see Note 13)		175,000	—	
	6,193	Sinking Fund Policies (Surrender Value £3,560)			4,069	
241,268						65,087
		IV CURRENT ASSETS:				
	897,222	Stocks—at cost or market value, whichever lower, as valued by Managing Director ..			946,747	
	368,171	Trade and other Debtors (see Note 15) ..			419,790	
	—	Bills Receivable (see Note 16)			10,000	
	124,492	Balances at Bankers and Cash in hand ..			87,478	
1,389,885						1,464,015
£3,628,798						£3,668,177

H. H. KNOWLAND }
M. M. JACKSON } Directors

HIDE & C^O. LIMITED

BALANCE SHEET 31st JANUARY, 1958

1957 £	1957 £		£	£ Issued and fully paid
		I SHARE CAPITAL:		
		AUTHORISED:		
	80,000	£80,000 in 8 per cent. Cumulative Preference Shares of 10s. each		80,000
	565,000	£740,000 Ordinary Stock in Units of 1s. each (see Note 6)		637,500
	10,000	£10,000 in "A" Ordinary Shares of 1s. each		10,000
655,000		£830,000		727,500
		II CAPITAL RESERVES:		
	415,447	Share Premium Account (see Note 7)	384,197	
	184,782	Revaluation Reserve (see Note 8)	192,012	
600,229				576,209
		III REVENUE RESERVE:		
77,130		Undistributed Profits		38,174
		IV FUTURE TAXATION — Schedule "D"		
—		1958/59		3,000
1,332,359				1,344,883
		V PROVISIONS:		
	56,829	Provision for Capital Contingencies (see Note 11)	6,759	
	2,000	Staff Welfare Account	2,000	
58,829				8,759
		VI CURRENT LIABILITIES:		
	—	Bank Overdraft (secured)	160,497	
	113,119	Creditors (see Note 15)	68,609	
	25,945	Taxation	56,430	
		Ordinary Dividends (*less* tax):		
	33,062	Interim—Payable 31st January, 1958 ..	37,317	
	72,738	Proposed Final	37,231	
	1,840	Preference Dividend (*less* tax)	1,840	
246,704				361,924
£1,637,892				£1,715,566

1957 £	1957 £		£ At cost or Valuation	£ Aggregate Depreciation since	£ Net
		I FIXED ASSETS:			
46,800		Freehold Premises	38,800	—	38,800
76,760		Leasehold Premises	80,000	4,050	75,950
28,520		Machinery, Furniture, Fixtures and Motors	50,235	21,983	28,252
152,080			£169,035	£26,033	143,002
		II INVESTMENTS AND LOANS:			
		Investments at cost, *less* amounts written off:—			
	20,399	Quoted (Market Value £20,097)		24,942	
	41,845	Unquoted (see Note 12)		33,245	
		Trade Loans	£175,000		
	170,000	*Less:* Provision (see Note 13)	175,000	—	
232,244					58,187
		III SUBSIDIARY COMPANIES:			
	3,777,261	Shares, at valuation (see Note 14)		3,812,044	
	227,609	Dividends receivable, net		250,519	
	309,257	Loan and Current Accounts Receivable ..		319,091	
	4,314,127			4,381,654	
	3,256,952	*Less:* Loan and Current Accounts Payable ..		2,991,750	
1,057,175					1,389,904
		IV CURRENT ASSETS:			
	55,519	Stocks—at cost or market value, whichever lower, as valued by Managing Director ..		53,329	
	63,739	Trade and other Debtors (see Note 15b) ..		56,420	
	—	Bills Receivable (see Note 16)		10,000	
	77,135	Balances at Bankers and Cash in hand ..		4,724	
196,393					124,473
£1,637,892					£1,715,566

H. H. KNOWLAND } Directors
M. M. JACKSON }

of £524,000. So far as (2) is concerned, the re states that:

> 'although each acquisition increased group net pr as well as bringing with it substantial cash reso of its own, these resources fell considerably s of the total cash purchase considerations. Par the differences was met by the sale of freehold return leases, but this still left the group depleted resources, and thus lacking the mean nourishing and developing these newly-acqu businesses to the extent necessary to obtain maximum benefits from them.'

As regards (3), abnormal losses, it is stated, c prising the Wright-Hamer debt and the H Parker loss reported in the 1954 accounts, toge depleted the group's resources to the extent approximately £200,000.

Mr Knowland assured the meeting that finan arrangements had been made which would relie measure of anxiety at the moment and should b great value in the following year of trade.

Metal Box

FROM the accounts of The Metal Box Co we have reproduced a statement headed " Year in Brief'. It speaks for itself and needs description. Its main value in this column is to sh what can be done in the way of giving shareholde clearer insight into the business than is usual in normal profit and loss account. The profit and account in this case opens with the figure £4,972,000 which appears in the reprint.

THE YEAR IN BRIEF

HOME GROUP

	1958		1957
Income from Sales and Investments	£55,390,000	100%	£53,130,000
Spent on manufacturing materials, supplies, services and expenses	36,793,000	66·4	36,406,000
Paid in wages and salaries . .	10,605,000	19·1	10,268,000
Other payments to or for the benefit of employees	1,423,000	2·6	1,329,000
Depreciation	1,597,000	2·9	1,244,000
Surplus on Trading and Income from Investments	4,972,000	9·0	3,883,000
Interest on Loan Stocks . . .	472,000	·9	159,000
Profit before taxation . . .	4,500,000	8·1	3,724,000
Taxes	2,306,000	4·2	1,698,000
Profit after taxation	2,194,000	3·9	2,026,000
Net Dividend from Overseas . .	216,000	·4	216,000
Net Income of the year . . .	2,410,000	4·3	2,242,000
Retained in the business . . .	1,500,000	2·7	1,333,000
Net Dividends to Stockholders	£910,000	1·6	£909,000

HOME AND OVERSEAS GROUPS

Income from Sales and Investments	£73,621,000	100%	£68,687,000
Profit after taxation	£3,343,000	4·5%	£2,946,000

Next Week's Reprint

The accounts of The George Cohen 600 Group will provide the reprint in next week's issue.

HIDE & CO. LIMITED

Notes on Accounts

1. The Group Trading Profit is arrived at after charging certain payments as set out below:—

	£
Payments relating to the circularisation of Shareholders in July, 1957, by a Mr W. Simson, not approved by the Board	923
Payments relating to the Harella Offer in October, 1957, for which adequate vouchers cannot be obtained	1,000
	£1,923

Consideration is being given to the possibility of recovering these payments.

2. Directors' Emoluments comprise:—

	1957/58 £	1956/57 £
Managment Salaries and Commissions	47,515	53,232
Directors' Fees	8,417	8,417
Pension to past Director	1,500	1,500
Pension Fund Contributions	3,800	3,800
	£61,232	£66,949

There is some doubt as to the amount of commission payable to a Director and past Directors under Service Agreements having regard to the amount now written off in respect of the Wright Hamer Group. Pending clarification of this matter provision has been made in these accounts for the maximum liability which could arise under the said Service Agreements.
In addition to the foregoing, expenses allowances charged to tax amount to £222 in respect of a period of 5 years.
The Directors have waived the share of profits due to them under the Company's Articles of Association in respect of the year ended 31st January, 1958, amounting to £12,882.

3. No depreciation has been provided in respect of freehold premises; the Directors are satisfied that the present realisable value of this asset exceeds its book value.

4. The Company has been given profits tax non-distribution relief and accordingly a profits tax charge would normally be incurred in the event of a distribution to shareholders out of Reserves including the balance on Profit and Loss Account, subject to the reliefs afforded in the latest Finance Act.

5. The charge for Income Tax is after taking credit for provisions in previous years no longer required of approximately £14,500.

6. The movements on Ordinary Stock Account are as follows:—

	£	£
Balance at 1st February, 1957		565,000
Issued during year:		
As consideration for the acquisition of Stuart Norris Ltd.	15,000	
Bonus issue ex Share Premium Account	57,500	
		72,500
		£637,500

7. The movements on Share Premium Account are as follows:—

	£
Balance at 1st February, 1957	415,447
Premium at 1s. 9d. on Stock issued as consideration for the acquisition of Stuart Norris Ltd.—being value agreed by the Inland Revenue authorities for Stamp Duty purposes	26,250
	441,697
Less:—Amount capitalised by the issue of Ordinary Stock	57,500
	£384,197

8. The movements on Revaluation Reserve are as follows:—

	£
Balance at 1st February, 1957	184,782
Add: Profits, *less* losses, on sales of Properties during the year	7,230
	£192,012

9. As noted in the previous year's accounts, there is uncertainty as to the legal rights of Preference shareholders in one subsidiary company in the event of liquidation. The Directors have been advised that a reasonable estimate of the additional participating rights to which such shareholders might be entitled in that event is £6,667.

10. The amount attributable to outside Ordinary shareholders is made up as follows:—

	Nominal Value of Holdings £	*Reserves and Dividends attributable thereto* £
Barnett-Hutton Ltd.	6,107	20,953
Subsidiaries of T. R. Roberts, Ltd.	8,907	21,047
	£15,014	£42,000
TOTAL		£57,014

11. The movements on Provision for Capital Contingencies Account are as follows:—

	Holding Company £	*Group* £
Balance at 1st February, 1957	56,829	86,669
Add: Previous provision no longer required..	20,675	20,675
	77,504	107,344
Add: Transfer to Holding Company by a subsidiary company of realised capital profit of an earlier year	10,796	
	88,300	
Deduct: Losses, less realised capital profits, during the year ..	6,541	6,541
	81,759	100,803
Deduct: Provision against non-recovery of Trade Loan ..	75,000	75,000
	£6,759	£25,803

12. In the opinion of the Directors the realisable value of the unquoted investments is not less than their book value as stated in the Balance Sheet.

13. The loan to the Wright Hamer Textile Group was increased during the year to a total of £175,000 by the advance of a further £5,000 without the approval of the Board. In addition the Bank guarantee of £25,000 referred to in last year's accounts is still outstanding.
The last audited Consolidated Balance Sheet of the Wright Hamer Group at 30th September, 1956, showed tangible assets of £121,610 as compared with liabilities of £212,728, which included the advance at that date of £170,000 by Hide & Co. Limited.
The Directors consider that it is no longer correct to show these advances as an asset since, in their opinion, the company will recover very little of the sums due. Accordingly they have appropriated the sum of £175,000 as follows, against the probable loss.

	£
Transfer from Provision for Capital Contingencies	75,000
Amount provided from Profit and Loss Account	100,000
	£175,000

14. The shares in Stuart Norris Ltd. were acquired during the year by the issue of 300,000 Ordinary Stock Units in Hide & Co. Limited. 250,000 of these units were subsequently renounced in favour of Restaurant Investments Ltd. (a company of which Mr L. P. Jackson was or had been the principal Shareholder and Mr S. N. Jackson a Director) for a consideration which the Board of Hide & Co. Limited have been unable to ascertain.

15. (*a*) Debtors include £7,608 due from Mr M. Jackson—the former Director of a Subsidiary Company referred to in Note 10 of the previous year's Accounts. This amount has been since repaid.
(*b*) Subject to Note 2 concerning commission, debtors also include £4,381 on current account due from Mr L. P. Jackson. This amount has been since partly offset by sums accruing due to Mr Jackson during the current year.
(*c*) Subject to Note 2 concerning commission, creditors include £6,739 due to Mr S. N. Jackson and £3,135 due to Mr M. M. Jackson.

16. In August, 1957, the Company paid £10,000 to Mr L. P. Jackson for the purchase of certain investments. In January, 1958, the agreement to purchase and sell was rescinded by mutual consent, and the Company received in settlement Bills of Exchange for £10,000 which have since been duly honoured.

17. In addition to capital commitments totalling £31,800 and the Bank guarantee referred to in Note 13, there is a contingent liability for costs incurred in connection with the Board of Trade Inquiry.
Apart from the above, the Directors are not aware of any capital commitments or contingent liabilities not provided for in the Balance Sheet.

CITY NOTES

FRESH incentive has come in abundance to the stock-markets. The Chancellor of the Exchequer's 'expansion' speech and the most impressive Balance of Payments figures have been reflected in a fresh outburst of optimism which has taken stock-market values still higher.

Even though industry – outside the consumer goods sphere – seems slow to respond to credit freedom the investing public is apparently quite prepared to ignore the point in favour of looking forward to re-expansion and a generous spring Budget.

Market conditions have proved highly favourable to this week's £15 million offer of Australian 5½ per cent stock – the first straight borrowing by Australia on the London market since 1939. Gilt-edged stocks have continued to make slow but soundly-based headway.

Despite the high level of stock-market activity money continues to move strongly into small savings though Lord Mackintosh has decried suggestions that the days of 4½ per cent tax free on Savings Certificates and of 5 per cent on Defence Bonds are numbered.

Another facet of small savings is the marked expansion of interest in unit trust investment. Small investors have now apparently realized the worth of unit trust investment in terms of long term capital growth and income.

New offers of units by leading trusts are eagerly taken up and some groups have, in the past twelve months, sold three times as many units to investors as they sold in the previous year.

It is difficult to recall a post-war period in which investment confidence has reached so high a level.

RATES AND PRICES

Closing prices, Wednesday, October 15th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

Aug. 8	£3 17*s* 3·63*d*%	Sept. 12	£3 13*s* 6·81*d*%
Aug. 15	£3 14*s* 5·00*d*%	Sept. 19	£3 11*s* 9·20*d*%
Aug. 22	£3 14*s* 6·25*d*%	Sept. 26	£3 12*s* 6·10*d*%
Aug. 29	£3 15*s* 2·47*d*%	Oct. 3	£3 14*s* 1·39*d*%
Sept. 5	£3 14*s* 0·93*d*%	Oct. 10	£3 13*s* 0·72*d*%

Money Rates

Day to day	2¾–3⅝%	*Bank Bills*	
7 days	3½–3⅝%	2 months	3¾–3 13/16%
Fine Trade Bills		3 months	3¾–3 13/16%
3 months	4½–5¼%	4 months	3¾–3 13/16%
4 months	4½–5¼%	6 months	3¾–3⅞%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80¾–13/16	Frankfurt	11·68⅜–⅝
Montreal	2·72¼–⅜	Milan	1743 –¼
Amsterdam	10·56¾–·57	Oslo	19·99¼–½
Brussels	139·30–·35	Paris	1176¼–½
Copenhagen	19·38⅛–⅜	Zurich	12·20¾–⅞

Gilt-edged

Consols 2½%	52¾	Funding 4% 60–90	87⅞xd
Consols 4%	76 9/16	Savings 2½% 64–67	82 9/16xd
War Loan 3½%	69 7/16	Savings 3% 55–65	89½
Conversion 3½%	68¼	Savings 3% 60–70	79 15/16
Conversion 3½% 1969	86¼	Savings 3% 65–75	74 7/16
Exchequer 5½% 1966	102⅜	Treasury 2½%	50 13/16
Funding 3% 66–68	83½	Treasury 3½% 77–80	78⅛
Funding 3% 59–69	81⅞	Treasury 3½% 79–81	77⅛
Funding 3½% 99–04	74½	Victory 4%	95

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Chick *v.* New South Wales Commissioner of Stamp Duties

In the Privy Council – June 17th, 1958

(Before Viscount SIMONDS, Lord TUCKER, Lord KEITH OF AVONHOLM, Lord SOMERVELL OF HARROW and Lord DENNING)

Estate duty – Gift inter vivos *– Exclusion of donor – Gift of landed property – Subsequent use by donor and donee as partners – Whether retained to entire exclusion of donor – (New South Wales) Stamp Duties Act, 1920–56, Section 102 (2) (d).*

In 1934 the deceased transferred a piece of land to one of his sons by way of gift, and the gift was absolute. In 1935 the father, the donee and another son became partners in a business of graziers and stock-dealers. The father was the manager of the business, and his decision was final in all matters relating to its conduct. The capital of the business consisted of the livestock and plant owned by the partners, and the business was conducted on their respective holdings, which were to be used for partnership purposes only. Land held by any one of the partners at the date of the partnership agreement remained the sole property of such partner, and he had the right to deal with it as he thought fit. The land owned by the son, which he used for partnership purposes, was the land that had been given to him by the deceased in 1934. Each partner brought livestock and plant into the partnership, and their three pieces of land were used for the depasturing of the partnership livestock. These arrangements continued up to the death of the deceased in 1952.

By Section 102 (2) of the (New South Wales) Stamp Duties Act, 1920–56, the estate of a deceased person is deemed to include

'(*d*) Any property comprised in any gift made by the deceased at any time . . . of which bona fide possession and enjoyment has not been assumed by the donee immediately upon the gift and thenceforth retained to the entire exclusion of the deceased.'

The respondent contended that the son had not retained the piece of land in question to the entire exclusion of his father, the donor.

Held, though the son had assumed bona fide possession and enjoyment immediately upon the gift to the entire exclusion of the father, he had not thenceforth retained it to the father's entire exclusion, for under the partnership agreement the partners and each of them were in possession and enjoyment of the property.

Newton *v.* Federal Commissioner of Taxation

In the Privy Council – July 7th, 1958

(Before Viscount SIMONDS, Lord TUCKER, Lord KEITH OF AVONHOLM, Lord SOMERVELL OF HARROW and Lord DENNING)

Income tax – Avoidance – Private company – Special dividend – Sale of shares to another private company for corresponding sum – Latter company takes allotment of shares from first company – Those shares sold to original shareholders – Whether an arrangement – Whether purpose to avoid liability – Penalty – (Australia) Income Tax and Social Services Contribution Assessment Act, 1936–1951.

In its accounting period ended December 31st, 1949, a private company, which dealt in motor-cars, made a large profit. The shareholders were wealthy persons, and would have been heavily taxed in respect of dividends from the company; if the profit was not distributed, the company would have had to pay tax at the same rate. In December 1949, the company amended its articles of association so as to give special dividend rights to the holders of its £80,000 ordinary shares, who became entitled between them to nearly £460,000 as a special dividend. After the payment of that dividend the shares were to carry a fixed dividend of 5 per cent.

The shareholders sold their shares to another private company, Pactolus Limited, at a price of about £460,000, and Pactolus Limited received the amount of the special dividend from the motor company. Pactolus Limited took up 400,000 preference shares in the motor company, for which it paid the company £400,000. Pactolus Limited then sold those 400,000 shares to the shareholders in the company, from whom Pactolus Limited had bought the 80,000 ordinary shares, for £400,000. The cheques involved in these transactions were banked simultaneously. Pactolus Limited sold the 80,000 shares, now worth £80,000, to a subsidiary company for that sum. Pactolus Limited was a stock and share dealing company, and it was entitled to set the loss of £380,000 which it made on the 80,000 shares against the special dividend, so that its taxable profit as a result of the transactions was £80,000.

Transactions of a similar kind were entered into by two other motor companies also controlled by the appellants. It was not disputed that all the transactions were genuine and were intended to have the effect they purported to have.

The respondent contended that the transactions were caught by Section 260 of the Income Tax and Social Services Contribution Assessment Act, 1936–1951, which makes every contract, agreement or arrangement, so far as it has the effect of avoiding liability to tax 'absolutely void as against the Commissioner'. It was contended that the history of Section 260 showed that it was now of no effect; that the word 'liability' at (*c*) in the section meant a liability already accrued; and that the transactions were not within the meaning of the word 'arrangement' in the section.

Held, (1) that the section had the effect of avoiding such transactions as against the Commissioner though not as between the parties thereto; (2) that the phrase 'avoiding any . . . liability imposed on any person' meant taking steps to avoid a liability about to accrue; (3) that it was necessary to study the arrangement itself, as distinct from the motives of the individuals concerned; (4) that one of the purposes of the transactions was to raise new capital for the motor companies; (5) and that therefore the arrangement was void as against the respondent so far as it had the purpose or effect of avoiding liability to tax.

The Public Trustee (Lord Northcliffe's Trustee) *v.* C.I.R.

In the Court of Appeal – June 26th, 1958

(Before the MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice ROMER and Lord Justice ORMEROD)

Estate duty – Gifts of parts of income of residue for life – Gift to executor – Whether gift to holder of an office – Whether liability excluded on that ground – Finance Act, 1894, Sections 1, 2 (1) (b).

The testator died in 1922, and, among other bequests, he directed that three one-hundredth parts of the income of the residuary trust fund was to be paid to one of his executors during his life for so long as he should act as executor and trustee of the will. The will conferred wide discretionary powers on the executors, and stated that the testator had the fullest confidence in them. The executor in question died in 1955, having been in receipt of the income from three 49½ shares of the residuary capital immediately before his death.

The Inland Revenue claimed that estate duty was payable under Section 1 of the Finance Act, 1894, on three 49½ shares of capital on the footing that those shares of capital passed on the death of that executor. The plaintiff contended that the deceased executor's interest in his shares of the residuary income was 'only an interest as holder of an office', within Section 2 (1) (*b*) of the Finance Act, 1894, and that therefore the claim to duty under Section 1 of the Act was excluded.

Held, the words in Section 2 (1) (*b*) excluding liability in such circumstances were not applicable to a case within Section 1 of the Act.

Fry *v.* C.I.R.

In the Court of Appeal – July 17th, 1958

(Before THE MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice ROMER and Lord Justice ORMEROD)

Estate duty – Reversionary interest – Death of reversioner – Postponement of payment of estate duty – Purchase of reversion by life-tenant – Whether deceased's interest fell into possession – Supreme Court of Judicature Act, 1873, Section 25 (4) – Finance Act, 1894, Sections 1, 2 (1) (a), 7 (6), 8 (3), 9 (1), 22 (1) (g).

A testator, who died in 1918, settled his residuary estate on trust for his daughter for life and then for her issue, and, in default of issue, for his four sons. One of the sons died in 1940, and his executors elected to postpone payment of estate duty on his reversionary interest until it should fall into possession. In 1954 the daughter, who was then 83, purchased the reversionary interests of all four of her brothers. The price paid for the interest of the brother who died in 1940 was £39,750, and this price was based on an actuarial valuation on the assumption that no estate duty would be payable on that interest on the death of the life-tenant. On the basis that estate duty would be payable the interest was valued at £13,900. The purchase price was satisfied by the transfer of investments forming part of the sister's free estate.

The Inland Revenue claimed estate duty on the value of the reversionary interest of the brother who had died in 1940, on the footing that the interest fell into possession in 1954, when it was purchased by the sister. They claimed, alternatively, that estate duty would be payable on the interest on the sister's death.

It was contended on behalf of the plaintiff that the interest had not fallen into possession, and could not fall into possession, as the effect of the purchase was to cause the interest to merge with the sister's life interest of which she already had present enjoyment.

Held (reversing the judgment of Mr Justice Danckwerts), that the interest purchased by the life-tenant fell into possession on the execution of the purchase agreement, and that estate duty was leviable on its value at that time, and not on the value of the property itself.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Appreciation

SIR, – I should like to thank Mr C. Romer-Lee not only for a very interesting paper on the 'Shortcomings of the Companies Act, 1948' (September 20th, 27th and October 4th issues), but for an extremely useful piece of company law revision.

I am a candidate for the Institute's Final examination next month.

Yours faithfully,

Hemel Hempstead, Herts. G. J. CUSHION.

Tax Relief on Life Assurance

SIR, – While I sympathize with Mr Gardiner (your issue of September 20th), I find I am unable to disagree with the Inspector of Taxes or his instructions on this point, as the wording of the Act is explicit, but I would suggest that this is a case to be brought to the attention of the Board of Inland Revenue for concessionary treatment. Certainly, the position is anomalous where a younger man, paying a smaller premium (£25 or less) for an exactly similar policy would be allowed £10 without argument.

Yours faithfully,

London, WC1. G. LITTLECHILD.

Charitable Gift

SIR, – A limited company has given part of its normal stock-in-trade i.e. one motor-car value £500, to a charitable body. In the books of that company this transaction has been recorded as a credit to purchases and a debit to donations.

The Inspector of Taxes seeks to disallow the donation. Had the donation been cash I would certainly agree that it should be disallowed. However, charitable gifts of stock-in-trade on a smaller scale have always been allowed.

I am unable to find any parallel case in case law so I would be grateful for the views of readers.

Yours faithfully,

Norwich. E. L. UPSHAW.

Gross Profit Percentage

SIR, – I would be grateful for any information readers may be able to offer regarding gross profit percentage figures normally applicable to snack bars.

The business in mind is in a coastal holiday resort. No cooked meals of any description are served, only sandwiches, confectionery and the usual drinks at the counter. There are two separate kiosks for rock and sweets, tobacco and cigarettes. Salad teas are served on a lawn. This is purely a seasonal concern, open from April to the end of September.

Yours faithfully,

H. C. W.

LOOKING AFTER THE COUNTRY'S MONEY

London Chartered Accountant Students' Society

PRESIDENT'S MEETING IN GUILDHALL

As briefly noted in last week's issue, the annual President's Meeting of the Chartered Accountant Students' Society of London was held in Guildhall on Tuesday, October 7th. Mr W. E. Parker, C.B.E., F.C.A., the President, was in the chair, and Alderman Sir Harold Gillett, M.C., F.C.A., immediate Past-President of the Society and Lord Mayor-Elect, deputized for the Lord Mayor whose duties elsewhere had prevented his attendance at the meeting. The guest speaker was Sir Alexander Johnston, K.B.E., C.B., Chairman of the Board of Inland Revenue.

Lord Mayor's Welcome

In a brief address, Sir Harold referred to some of the monuments in the historic hall in which they were assembled – the memorials to Pitt the Younger, Lord Nelson, Wellington and others. Lady Jane Grey was tried there before being executed on Tower Hill. Every Prime Minister since the days of Pitt had delivered a speech at the Lord Mayor's Banquet in that famous hall.

'It is fitting,' said Sir Harold, 'that at the commencement of your President's year you should start with something of a dedication in this hall. The Lord Mayor asked me to remind you that this great hall is the cradle of democracy. Here freedom of speech was fought for and has been preserved through the generations. The working of the Corporation has been copied throughout the Commonwealth.'

He commended the principles on which the City of London had been carried on – character, which they must form for themselves; integrity, a question of daily observance; and sanctity of contract, which meant carrying out what one had undertaken to do at whatever expense to oneself.

In offering the Lord Mayor's welcome to the historic Guildhall, he wished them God-speed and good luck in the years to come.

Presentation

At the conclusion of the meeting a presentation of a handsome clock was made to Sir Harold Gillett as a mark of the Society's esteem and appreciation of his six years in the office of President.

SIR ALEXANDER JOHNSTON'S ADDRESS

The President then introduced Sir Alexander Johnston who was appointed Chairman of the Board of Inland Revenue earlier this year.

Sir Alexander said that although he had recently become a tax collector, most of his time in the Civil Service had been occupied in spending departments or the Treasury, and he thought it would be better for him to speak on this occasion about the control of Government expenditure rather than about any aspect of the collection of the public revenue.

'There is, however, one thing I should like to say before I embark on the subject of Government expenditure,' Sir Alexander continued. 'It is only necessary to be a few weeks at Somerset House to realize how important it is that the relations between the Inland Revenue and the accountancy profession should be marked by mutual confidence and trust. We have got on well in the past, and we for our part will do all we can to continue the happy relations that exist, and I am sure you will do the same.'

Government expenditure, he said, was running at the rate of about £5,000 million a year – nearer £6,000 million if various forms of public expenditure financed by loans were included. About 30 per cent of the national income was spent by the Government. These were formidable figures and almost everyone itched to have a go at them to see whether they could be reduced, but, he added, 'if you analyse Government expenditure, you soon find that the field for economies in administration is restricted'.

'That does not mean, of course, that we ought not to make every effort to reduce avoidable expenditure; but it is slow, hard work, and one can rarely get spectacular results.'

Interest on debt and sinking funds absorbed more than £700 million a year. Payments to individuals under the various social services totalled more than £1,000 million a year; national defence cost more than £1,500 million a year. Then there were education, the National Health Service, assistance to farmers and the older public services such as maintenance of law and order.

Methods of Control

Turning to the methods of control that were employed, he said: 'Those who have experience of commercial practice are often sharply critical of the way in which Government finance is handled. You may also have noticed references in the newspapers to a Blue Book, published at the end of last week, which referred to some doubts and questionings expressed by the Estimates Committee of the House of Commons about the present methods of control.'[1]

Before describing the methods of control, the speaker mentioned the main respects in which Government finances differed from the finances of a business and said: 'We lack some of the checks on expenditure which exist in commercial practice. Moreover, Government accounts are normally on a cash rather than an income and expenditure basis.

'As to the respects in which we lack some of the checks and controls which operate in the business world, first, the activities of a business firm are directed to the maintenance in the long run of such a surplus of current revenue over current outlay as to keep the invested capital intact and to allow periodical distributions to the shareholders. If the question arises of whether to put up a new factory or not, that is determined by the estimates of prospective sales and possible economies in production.

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[1] See 'Controlling Public Expenditure' at page 462 of this issue.

'We cannot easily apply similar tests to the construction of a school, a hospital or a museum. Only to a minor extent can the success of Government activities be determined by financial tests. The aim of the Government is to carry out a policy with the maximum amount of efficiency and economy, but a financial test is not easy.' A good example of this was Government expenditure on information services overseas, which was now running at £15 million a year. That covered the work of the British Council, the overseas services of the B.B.C., and a lot of publicity work done by British embassies abroad.

'Are the results worth the expenditure? Would it be advantageous to double the rate of expenditure? Would we lose much if we halved the rate of expenditure?' There was no easy answer to these questions because it was not easy to assess the degree of success or failure of the work.

The other broad difference between Government accounts and those of industry was that most Government accounts were prepared on a cash basis and not on an income and expenditure basis. The fundamental reason for this was that accounts were prepared to enable the House of Commons, as representing the body of taxpayers, to exercise effective control over the spending of the money which it provided from year to year.

Guardians of the Public Purse

'People sometimes say that the Members of the House of Commons support economy in general but want more, not less, money to be spent on the particular schemes that interest them. Be that as it may,' he went on, 'it remains true that Members of Parliament band together as guardians of the public purse if there is the slightest suspicion that the Government is failing to obtain complete Parliamentary authority for every penny spent. The House of Commons authorizes the cash payments which can be made within a period of twelve months for purposes that are set out in great detail in the annual estimates of the various departments.

'Quite apart from these constitutional difficulties, there are practical difficulties about applying income and expenditure accounting to Government accounts. Here are two examples: on the revenue side the assessed liability of an individual for a tax is not like a debt. He may dispute the assessment or he may appeal against its amount. You cannot count on the amount until it is paid.

'The other example is from the expenditure side. Many grants to local authorities are not for fixed amounts, but for a proportion of expenditure incurred by local authorities on certain activities. Here again the only valid figure to use is the amount actually issued.

'Another difficulty about the application of commercial methods of accounting is that we cannot apply to many Government assets the conception of depreciation which obtains in the commercial world. Many Government fixed assets have little or no profit-earning capacity. For example, who could put a value on Wellington Barracks or the Tower of London? What would be an appropriate rate of depreciation for these establishments as going concerns?' The effect of all this was that in many respects Government finance was controlled by methods different from those to which industry was accustomed. Because most departments spent money and earned little or no revenue, the emphasis was on detailed control of expenditure. There must be clear authority for every penny spent.

Annual Estimates

The main instrument of control was the estimates, presented annually to Parliament. They were on a cash basis relating to sums expected to come in course of payment during the year. They included, but did not distinguish between, cash required to meet liabilities outstanding at the end of the previous year, and cash required to meet new liabilities incurred in the current year. They did not provide for liabilities incurred in the current year but which were not expected to mature for payment until the following year. They did not directly include the value of services rendered by or to other departments and did not include any valuation for accounts held.

The estimates were divided into votes, one or more covering the functions of each spending department. A full analysis according to the subject of expenditure was not generally possible from the face of the estimates. Thus, grants to local authorities for a service would appear in one place, and the administrative cost of considering and making the grants, elsewhere.

'There are really three instruments of control,' Sir Alexander continued, 'the machinery of control within the department, the Treasury and the House of Commons operating through its Estimates Committee and the Public Accounts Committee. The permanent head of every department has always been responsible for seeing that his department was run efficiently and economically. With the great growth in Government expenditure in recent years and the impossibility of controlling it in detail from the Treasury, more and more stress has been laid on the need for each department to have its own machinery for financial control.

'The permanent secretary is designated as accounting officer and is required to answer personally to the Public Accounts Committee of the House of Commons for the economical running of his department. Every major department has a finance officer, who is given a more independent position for the reason that the approval of the Prime Minister is required for his appointment and removal.

'Since the end of the war there has also been a great development of organization and methods in all departments. The aim has been to secure that all the larger departments have an organization and methods branch whose business it is to advise how the work of the department can be conducted as efficiently as possible. Fifty years ago the Treasury purported to control all Government expenditure in great detail. It would be a physical impossibility to do that today, and there have been extensive delegations of financial authority to departments. The aim is to build up the feeling of financial responsibility within departments.'

The Role of the Treasury

Turning to the role of the Treasury in this matter Sir Alexander pointed out: 'The Treasury has absolute power of veto. A departmental minister can

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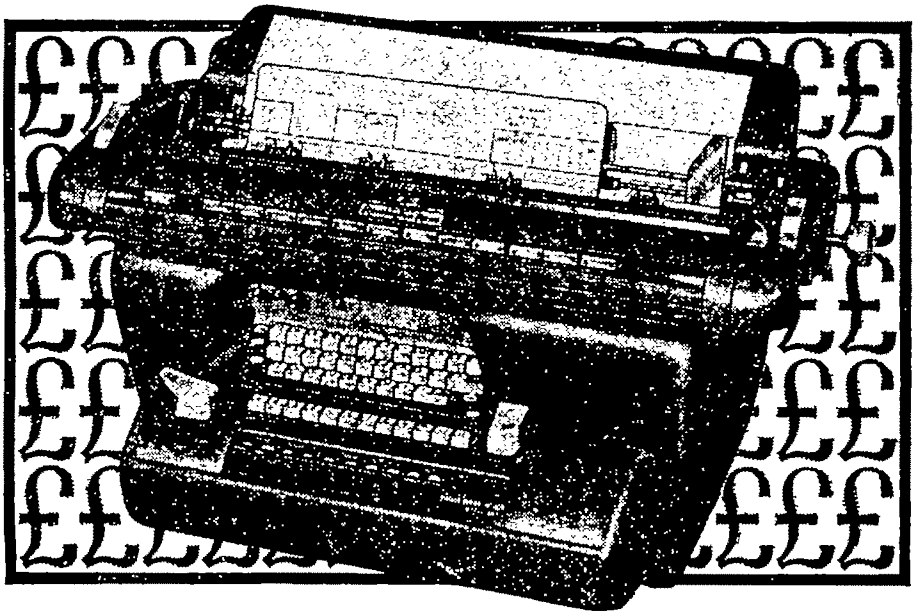

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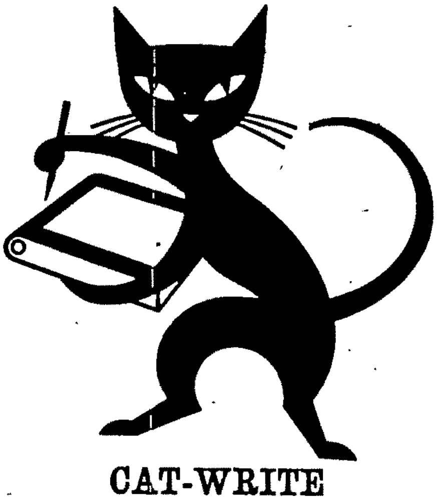

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take to the Cabinet the issue of whether certain expenditure should be incurred and the Treasury is, in the ultimate result, no stronger than the support which the Chancellor of the Exchequer is likely to receive from the Prime Minister and his colleagues in the Cabinet.'

In one of the rooms of the Treasury there was a picture of a Mr Lowndes, a formidable looking Secretary to the Treasury, with a little inscription recording that he was the author of the saying, 'Take care of the pence and the pounds will take care of themselves'. While that was still true, he thought they were more aware of the truth of the older saying about being a penny wise and a pound foolish. The conception now was of a partnership between the Treasury and departments in trying to secure economy and efficiency. If the Treasury was trying to secure economies in some field, its action was immeasurably more effective if it was working with the co-operation and goodwill of the department concerned.

'Just how much financial authority should be given to departments and how much to the Treasury is a question on which discussion will go on to the end of time,' he said. 'The report of the Estimates Committee of the House of Commons, which was published last week with the evidence the Committee heard, was concerned with this question.

'Although the Treasury must act in partnership with departments, an effective Treasury can never be universally popular. The text that every Treasury official should have above his bed is "Woe unto you when all men shall speak well of you".' (*Laughter.*)

The final bulwark against excessive expenditure was the House of Commons itself. At the beginning of each session, the House appointed an Estimates Committee, which in turn appointed a number of sub-committees to examine special aspects of Government expenditure. The influence of the Estimates Committee, he pointed out, was on the future; it could not substantially influence current estimates. There was no ready means by which a Government could reduce the estimates it had presented to Parliament.

The Audit of Public Accounts

Finally, there was the Public Accounts Committee and the control exercised by the Comptroller and Auditor-General. The nature of the audit performed by the Comptroller and Auditor-General went a good deal further than a commercial audit. 'He audits the accounts in the ordinary way,' said Sir Alexander 'He also investigates the adequacy of the internal financial control on matters such as stores accounting or the safeguarding of cash, and he investigates to ensure that all expenditure is in accordance with the intention of Parliament in voting a grant.

'In addition, the Comptroller and Auditor-General is encouraged by the Public Accounts Committee to go beyond professional audit and report on any apparently wasteful or uneconomical expenditure in the placing of contracts, in the acceptance of tenders, or in losses due to extravagance or lack of reasonable foresight. Every department has a wholesome respect for the scrutiny of their affairs by the Public Accounts Committee. They know that if they have been extravagant or wasteful in any respect the facts will be set out in reports that are widely read and studied.'

Having emphasized the extent to which Government finance had to be organized differently from business finance, Sir Alexander went on to draw attention to respects in which departments drew on commercial experience. 'There are several departments, or parts of departments, engaged in trading activities which keep commercial accounts alongside the Parliamentary accounts, on lines with which you will be familiar. Notable examples are the Post Office and the Royal Ordnance factories.

Problem of Costing Administrative Departments

For a long time there has been a realization that Civil Servants should try to keep before them the cost of the operations in which they are engaged. No difficulty arises in the trading concerns, such as the Post Office, and they have elaborate costings and cost accounts. The real problem arises with the departments engaged in straightforward administration.

'It is easy to say that they do not work for profit and you cannot evaluate their services in money terms, that you control the money they spend and the men they employ, but it has long been felt that that was not the beginning and end of wisdom. If a Civil Servant asked for another clerk or another typist, a fresh set of statistics or a new report, was he aware of the full cost of his request?

'Questions like those have long troubled people. Some outside accountants who were employed in the service departments in the First World War felt disquiet about the Government accounting methods. As a result, the War Office kept accounts between 1919 and 1925 which were designed to show the true cost of all the Army establishments. Eventually, the experiment was abandoned for a variety of reasons, including the expense due to the elaborate records that were kept.'

This process of trial and error showed that simpler methods were needed. Now the estimates of each department give under each vote the cost of the services rendered by other departments so as to give some indication of the true cost of the activities covered by the vote. From time to time departments brought the cost of various items of expenditure to the attention of members of their staff. By these means, Civil Servants and others were reminded of the cost of what they were doing and simple forms of costings were used to enable comparisons to be made of the costs of different organizations performing similar functions.

'I hope you will not think from this short description of our control methods', he concluded, 'that we are complacent and consider that our procedures are perfect. We are dealing with very large sums, expended over a very wide field of public activities. We have had the help of outside accountants in looking at the form of the Government accounts and I have mentioned the detailed inquiry recently made by the Estimates Committee of the House of Commons. We welcome all the help we can get from those who have ideas on how to improve the machinery and the methods we employ.'

Votes of Thanks

A vote of thanks to the speaker was proposed by Sir Harold Howitt, G.B.E., D.S.O., M.C., D.L., F.C.A., and Mr C. E. Parkinson, B.A., moved a vote of thanks to the President.

Notes and Notices

PERSONAL

Mr P. D. McDermott, F.C.A., announces that he has commenced to practise under the style of Lewis, Shaw & Co, Chartered Accountants, at Fulwood House, Fulwood Place, High Holborn, London, WC1. Telephone: Chancery 8986–7, 6162.

Messrs G. A. Levy & Co, Chartered Accountants, of 10 Dyer's Buildings, Holborn, London, EC1, announce that as from October 18th their address will be 120/121 Newgate Street, Holborn, London, EC1. Telephone: Monarch 6451–3.

Messrs Bright, Grahame, Murray & Co, Chartered Accountants, of 61 Portland Place, London, W1, announce that as from October 9th Mr Neville George Sage, A.C.A., who has been in their employment for over twenty years and served under articles with them, has been admitted as a partner. The style of the firm will remain unchanged.

Messrs F. G. Jenkins, Wood & Co, Chartered Accountants, of 64 West Smithfield, London, EC1, announce with regret the death on October 9th of their senior partner, Mr Frederick George Jenkins, F.C.A., at the age of 69. Mr Jenkins was admitted a member of The Institute of Chartered Accountants in England and Wales in 1910. The practice will be carried on by the remaining partners at the same address.

Messrs Singleton, Carter & Co, Chartered Accountants, of Nottingham, announce with deep regret the death on September 27th of Mr J. T. Singleton, F.C.A. The practice is being carried on in the same name and at the same address by the remaining partners.

Messrs Stuart Dove & Co, Chartered Accountants, announce that they have moved their offices to new premises at Burke House, 37–38 Gerrard Street, London, W1. Telephone: Gerrard 1675.

Messrs Joseph W. Shepherd & Co, Chartered Accountants, of 78 King Street, Manchester, 2, announce that as from October 8th, 1958, their address will be Fountain House, 81 Fountain Street, Manchester, 2. Telephone: Central 0588–9.

Messrs Viney, Price & Goodyear, Chartered Accountants, announce that as from October 1st, 1958, Messrs Martin Price, R. W. Gorman, Frank Woodhams, A. H. Penney, J. E. K. Clarke, L. F. Durman and A. B. Wilson will continue the practice at Empire House, St Martin's-le-Grand, London, EC1, with the name of the firm unchanged. Mr Arthur E. Downing will continue the practice hitherto carried on at 22 Ryder Street, St James's, London, SW1, in partnership with his son, Mr Eric E. Downing, under the style of Downing Gordon & Co.

Messrs Stovold & Co, Certified Accountants, of 21 Little Russell Street, London, WC1, announce that Mr Bernard Flitter, A.A.C.C.A., has been admitted into partnership as from October 6th, 1958. The name of the firm will remain unchanged.

Messrs Curtis, Jenkins, Cornwell & Co, Chartered Accountants, of 44 Corn Street, Bristol, 1, regret to announce the death, on October 9th, of Mr Stanley William Cornwell, F.C.A., who had been partner in the firm since 1920 and senior partner for nearly twenty-five years. [An obituary notice appears below.]

Messrs Whitmarsh, Sterland & Co, Chartered Accountants, of 7 All Saints Passage, Cambridge, and High Street Chambers, St Neots, Huntingdonshire, announce that they have admitted into partnership as from October 1st, Mr M. H. Knott, A.C.A., who has been for several years a member of the staff.

OBITUARY

Stanley William Cornwell, F.C.A.

It is with great regret that we record the death on October 9th of Mr Stanley William Cornwell, F.C.A., senior partner in the firm of Curtis, Jenkins, Cornwell & Co, Chartered Accountants, of Bristol, and a former member of the Council of The Institute of Chartered Accountants in England and Wales.

Educated at Clifton College, Mr Cornwell was articled in 1903 and obtained honours in both the Intermediate and Final examinations. He was admitted an Associate of the Institute in 1909 and elected a Fellow in 1925.

Prior to the First World War he became a member of the London staff of Deloitte, Plender, Griffiths & Co, and during the war he served in France and was mentioned in dispatches. After relinquishing his commission he joined Messrs Curtis, Jenkins, Cornwell & Co in 1919; he was senior partner for nearly twenty-five years.

Mr Cornwell was elected to the Council ~~of the~~ Institute in October 1934 and served for over twenty-one years until his resignation in July 1956. He was a member of many committees and subcommittees and was chairman of the District Societies Committee from 1944–47 and chairman of the General Purposes Committee from 1954–56. For some years he was honorary secretary and treasurer of the Bristol and West of England Society of Chartered Accountants, being President in 1929, 1930 and 1951.

In 1952 he was appointed Sheriff of Bristol – the first chartered accountant to be accorded this distinction. He was also a member of the Council and of the Finance Committee of the University of Bristol, and a Past President of The Anchor Society, the Gloucestershire Society, and the Bristol Incorporated Chamber of Commerce and Shipping.

For many years Mr Cornwell was President of the Bristol Institute for the Deaf and he also served as a member of the Local Price Regulation Committee from 1940 until the committee ceased to function in 1953.

Wilfred Hugh Fitzsimons, F.C.A.

It is with regret that we record the death, at the age of 79, of Mr W. H. Fitzsimons, F.C.A., who was a Past President of The Institute of Chartered Accountants in Ireland and until his retirement in 1955 was senior partner in the firm of Wright, Fitzsimons & Cameron, Chartered Accountants, of Belfast. He was a grandson of the founder of the firm and eldest son of the late Mr William Fitzsimons, also a former President of the Irish Institute.

Mr Fitzsimons was admitted to membership of the Institute in 1901 and was President of the Institute from 1947–49. He was also a foundation member and former chairman of the Belfast Society of Chartered Accountants.

A former member of the Agricultural Wages Board, Mr Fitzsimons was also an active member of the Ulster Reform Club and a past captain of the Larne Golf Club.

John Burgess, A.C.A.

We have learned with regret of the recent death at the age of 46 of Mr John Burgess, A.C.A., formerly chief accountant of Fisons Ltd, and since 1956 comptroller in charge of accounting arrangements throughout the Fisons group.

Mr Burgess was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1938. Before joining Fisons in 1945, he had served with Standard Telephones & Cables Ltd and as assistant chief accountant of the Birmingham Small Arms Co Ltd.

PROFESSIONAL NOTES

Mr Patrick Bernard Doyle, B.COM., A.C.A., has been appointed a director of Noble Lowndes Finance Co (Ireland) Ltd.

Mr H. O. Peake, A.C.A., has been invited by the board of Harrisons & Crosfield to become life-president; the resolution will be submitted at the annual meeting next December. Mr Peake recently completed fifty years service with the company.

Mr J. G. Doull, A.C.A., A.C.W.A., has been appointed a director of Tweedales & Smalley Ltd.

Mr W. A. Tulloch, M.C., T.D., B.A., C.A., has been appointed a director of James Findlay & Co Ltd.

Mr H. K. Douglas, M.A., A.C.A., has been appointed secretary of Charterhouse Investment Trust Ltd, Charterhouse Industrial Development Co Ltd, and Charterhouse Finance Co Ltd. Mr Douglas has also been appointed secretary of S. Japhet & Co.

Mr A. H. Montgomery, O.B.E., T.D., A.C.A., has been appointed chairman of the Royal Trust Company of Canada; he will continue as managing director.

Mr J. L. Salt, A.I.M.T.A., deputy borough treasurer of Blackpool, has been appointed deputy city treasurer of Liverpool as from November 3rd next.

SADLER'S WELLS INQUIRY

Lord Latham, J.P., F.A.C.C.A., a member of the Council of The Association of Certified and Corporate Accountants and a Past President of the Association, has been invited to serve on an independent committee of inquiry into the affairs of Sadler's Wells.

The committee is under the chairmanship of Sir Frederic Hooper and its terms of reference include the question as to whether further financial assistance from the Arts Council out of Exchequer funds is necessary to secure the continuance at a satisfactory artistic standard of the presentation of opera at Sadler's Wells, and, if so, whether the continuance of financial assistance would constitute a benefit to the London public justifying the London County Council in providing part or the whole of the assistance from the rates.

THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee, Sir William Carrington, F.C.A., President of the Association, and eight members were present.

Applications for Assistance

Six new applications for assistance were considered. In two cases a grant was made; a donation was given in one case as a preliminary measure and in three cases no grant was made.

Further Assistance

Twelve applications for further assistance were considered; in eight cases the grant was renewed; in three cases the grant was increased and in one case consideration was deferred pending further inquiries.

Homes for Old People

The committee considered a number of inquiries from members as to whether places in the homes of Crossways Trust could be made available for their parents, parents-in-law or other aged relatives. It was decided that places in the homes must be limited to existing beneficiaries and to members and widows of members with limited means.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

In preparation for the gospel campaign of the London Christian Unions, the Accountants' Christian Fellowship has arranged a meeting to be addressed by Mr Ernest Raisey, general secretary, Post Office Christian Association, at 6 p.m. at Incorporated Accountants' Hall, Victoria Embankment, WC2 (near Temple Station) on Friday next, October 24th.

JOHN C. LATHAM AWARD FOR 1958

The Council of The Association of Certified and Corporate Accountants have approved the recommendation of the trustees of the John C. Latham Prize that the award for 1958 should be made to Mr J. T.

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Kemp, A.A.C.C.A., managing clerk with Messrs Drury, Thurgood & Co, Chartered Accountants, of London.

Mr Kemp received the highest number of marks awarded to any candidate taking Section II of the Association's Final examination in December 1957 and June 1958. The value of the prize is ten guineas.

Mr Kemp also received first place and prize in the Intermediate examination, in June 1956, and first place and prize in Section I of the Final examination in June 1957.

Charles Carpenter Memorial Prize

The Council of the Association have also approved the recommendation of the trustees of the Charles Carpenter Memorial Prize that the award for 1958 should be made to Miss J. G. Frost, audit clerk with the firm of Messrs Julian S. Hodge & Co, Certified Accountants, of Cardiff.

This prize is awarded by the Council from a fund raised by local subscription in South Wales and Monmouthshire to perpetuate the memory of the late Mr Charles Carpenter, a former member of the Council.

The object of the fund is to provide a prize each year for the best candidate at the Intermediate examination sitting at the South Wales centre.

'MISS SECRETARY 1958'

The secretary to a chartered accountant in Glasgow, Miss Patricia Todd, has been acclaimed 'Miss Secretary 1958'. Miss Todd, who is aged 26, is secretary to Mr J. R. Scott, C.A., senior partner in the firm of Messrs Richardson & Lawson, Chartered Accountants, of Glasgow. She was one of six regional finalists who competed out of an original entry of several thousand secretaries for the title. Miss Todd wins a week's holiday in New York and £100.

A STUDY OF BRITISH METHODS OF TAXATION

Officials from fifteen countries are attending a ten-week course on British methods of taxation run by the British Council which opened in London on Monday, October 6th.

The course opened with a general lecture entitled 'Features of a good tax system' and continues with a series of talks covering such subjects as tax assessment, the prevention of smuggling and the prosecution of tax offenders. All aspects of direct and indirect taxation, rates and Government expenditure will be discussed. This will be followed by practical experience, in small groups, with the Board of Inland Revenue, H.M. Customs and Excise, and local authorities.

Correction

In the 'Weekly Note' headed 'Resignations from the Council of the Institute' in last week's issue, the dates of Mr W. G. Campbell's admittance to memberhip and election to Fellowship of the Institute were incorrectly stated. Mr Campbell was, in fact, admitted an Associate in 1920 and elected a Fellow in 1929.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday: 'Practical aspect' lectures for Intermediate students (at Incorporated Accountants' Hall): 'Costing', by Mr F. T. Hunter, F.C.A., F.C.W.A.; 'The work of executors and trustees', by Mr M. W. Lockyer, A.I.B.; 'The accountant's place in an industrial organization', by Mr E. H. Davison, A.C.A., treasurer, Courtaulds Ltd; 'Assurance and insurance', by Mr S. R. Fenwick, F.C.I.I., manager, Home Accident Department, Prudential Assurance Co. Visit to the Royal Mint (limited number).

5.30 p.m., at Caxton Hall: Lecture on 'The place of the Bank of England in the London financial centre', by Mr R. A. O. Bridge, deputy chief cashier, Bank of England.

Tuesday: 'Practical aspect' lectures for Intermediate students (at Incorporated Accountants' Hall): 'The practical view of auditing', by Mr J. F. Shearer, O.B.E., F.C.A.; 'The finance of foreign trade', by Mr P. J. Shaw, assistant manager, Midland Bank, Overseas Branch; 'Stock exchange practice', by Mr P. Legge, member of the Stock Exchange.

5.30 p.m., at the Institute: Speaker's course lecture on 'How to deliver a speech', by Miss H. M. Taylor, principal, The Abbey School for Speakers.

Wednesday: 'Practical aspect' lectures for Final students (at Incorporated Accountants' Hall): 'The chartered accountant and accounting mechanization', by Mr K. G. Bishop, A.C.A.; 'Banking practice', by Mr G. I. Williamson, manager, Midland Bank, Overseas Branch; 'Economic effects of taxation' by Mr A. R. Ilersic, M.SC.(ECON.), B.COM.; 'Receiverships and bankruptcy practice (including deeds of arrangement)', by Mr Leslie Cork. Lecture and demonstration of National Accounting machines (limited number).

Thursday: 'Practical aspect' lectures for Final students (at Incorporated Accountants' Hall): 'Building societies – their functions and financial structure', by Sir Bruce Wycherley, M.C., F.C.I.S., managing director, Abbey National Building Society; 'Accounting for management', by Mr W. S. Hayes, A.C.A., financial director, J. & E. Hall Ltd; 'The consolidation of accounts in practice', by Mr E. D. McMillan, A.C.A.

5.15 p.m., at Incorporated Accountants' Hall: Introductory course lecture on 'The fundamentals of auditing', by Mr F. R. Porter, F.C.A., A.C.W.A.

7.30 p.m., at Westcliff-on-Sea: Lecture on 'Partnership', by Mr F. A. Waller, A.C.A.

Friday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lectures on 'The basic principles of double-entry book-keeping', by Mr R. J. Carter, B.COM., F.C.A., secretary of the students' society, and on 'The law and its branches', by Mr P. W. Medd, Barrister-at-Law.

6.15 p.m., at Luton: Lecture on 'Banking', by Mr S. H. Birch, B.COM., B.SC.(ECON.), A.I.B., A.C.C.S.

7 p.m., at Chelmsford: Lecture on 'Negotiable instruments of goods', by Mr O. Griffiths, LL.B.

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Interfirm Comparisons

THE use of comparative figures has long since become an accepted – some might claim a revered – weapon in the accountant's armoury for detecting significant changes in a firm's performance from year to year. While comparisons of this kind are useful enough in picking out the salient financial features *within* a firm, they suffer from the one main disadvantage that a firm is always gazing at itself in the looking-glass instead of casting an eye outside upon its competitors' results. Consequently, this somewhat innocuous form of self-examination all too often leads to complacency about a firm's progress, when comparison with the ratios of other firms might have disclosed a far less satisfactory position. Indeed, such interfirm comparisons can provide management with a few, easily digested, key figures showing how its own operating performance and financial results compare with those of other similar firms in the same industry or trade. By helping to narrow down the cause of weakness in a firm's performance, interfirm comparisons enable management to concentrate its energies in the proper direction upon plans for improvement.

It is particularly appropriate therefore, as briefly noted in a recent issue,[1] to find the British Institute of Management identified with the publication of a special study which has lately been made of this subject[2]; under the guidance of a committee of experts (which, it is gratifying to observe, included two chartered accountants among its number). As SIR HUGH BEAVER points out in a foreword to the booklet:

> 'Relatively little has so far been known in this country about the way in which interfirm comparison works, although in various other countries (notably Germany, Switzerland and the U.S.A.) it has for many years been extensively used and valued. Those who are aware of what interfirm comparison has achieved in such countries are anxious to see many more of our own industries and trades take it up.'

In point of fact, many thousands of firms in this country and abroad have already received practical proof of the value of interfirm comparisons (ample evidence of this exists in a useful appendix to the main text of the booklet, which provides a classified list of such comparisons known to have been carried out in various countries), but leaving aside the converted, there is still a good deal of reticence in Great Britain about the revelation of business details. Although many comparative surveys have been conducted in a number of industries, the material compiled therefrom seems to have been applied almost exclusively to wage negotiation or price control (as the Monopolies Commission noted in many of their reports). Thus the material often exists – even if in a somewhat sketchy form – but has not been devoted to interfirm comparison for the purposes of management control.

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[1] See 'Weekly Notes', *The Accountant*, September 13th, 1958, page 311.

[2] *Interfirm Comparison for Management*, by Herbert Ingram and H. Taylor Harrington. British Institute of Management, 80 Fetter Lane, London, EC4. 17*s* 6*d* net.

The undue hesitancy on the part of some managements appears to spring from: (*a*) the belief that information supplied on a confidential basis might possibly be disclosed to competitors or others; (*b*) uncertainty about the degree of comparability between firms; and (*c*), the cost of taking part in a project of this kind.

The booklet takes up the challenge here, and deals convincingly with the three sources of objection which are likely to arise in people's minds.

On the question of the possible abuse of confidence, the main safeguard seems to rest upon the general practice of organizations conducting comparisons to make special security arrangements to prevent the figures of individual firms, or the results of the comparison, from falling into the wrong hands. Figures relating to any one firm can either be dealt with under a system of coding, or restricted to the collection of ratios and percentages alone, so that firms need not reveal their actual figures at all. Apart from these necessary steps, there are several ways of preventing the figures of individual firms from being identified in the body of the report. For instance, where the number of participating firms is very large, it is customary to present the results of the comparison in the form of averages only (supported by some indication of the range of performance). On the other hand, if the number of participants is small, it is possible to present both the average figures as well as the data for each individual firm, but the latter is always concealed under code numbers or in the form of ratios or percentages. Furthermore, it is common practice to confine the distribution of comparative reports to participants only, unless they expressly assent to wider dissemination.

As for comparability, one has to distinguish between the comparability of the *figures* of different firms, and that of their *features* and *characteristics*. Comparability of figures can be attained in several ways:

1. Basing the comparison on a uniform accounting or costing system, where one exists.
2. Providing participants with full sets of instructions and precise definitions of terms.
3. Using the services of field investigators so as to ensure strict comparability, if necessary through reclassification and apportionment of the figures submitted.

But what of the comparability of the firms themselves? How can one set about squaring the radical differences in size, product-range, locality, plant, methods of distribution, etc.? Clearly, the object of interfirm comparisons is not to compare 'firms' as such, but to reveal what effect certain differences in their features and practices have on their performance. In other words, what people really mean is that firms should be *sufficiently* comparable for useful conclusions to be drawn from comparisons of their results.

It is difficult to generalize on the cost side, because the amount of work involved will vary according to the detail and kind of figures required. Where a uniform accounting and costing system is in operation, the work involved is relatively small. Where no such system is in operation, however, and especially where data are collected by means of a questionnaire, more clerical work will certainly have to be shouldered.

The first part of the booklet contains a number of imaginative examples designed to show how managers can use and benefit from the results of interfirm comparisons. From the point of view of efficiency, the few leading firms in practically any British industry could stand comparison with the best anywhere else and are probably exponents of the art of using accounting ratios anyway, but that still leaves a mass of small and medium-sized firms who may not be aware of their relative standing *vis-à-vis* their competitors (or are, as yet, unversed in the methodology to be employed).

Doubtless, wider appreciation of the help that interfirm comparisons can give to the management of these many firms would enable the latter to remedy defects of labour organization, factory layout and plant utilization, and so bring within their grasp the full and lasting benefits of efficiency in production.

Statistical Sampling in Accountancy—I

by H. C. MACKENZIE, M.A.
Lecturer in Economic Statistics, University of Bristol

IN recent years, accountants have become increasingly aware of the potential value of statistical developments in the field of sampling. Awareness, however, is tempered by a considerable amount of scepticism about practical application of known methods to accounting work. This is attributable partly to ignorance, which causes both a lack of confidence in sampling techniques, and a feeling that, in advocating their use, the statistician is trying to take over the accountant's function. In addition, there is an intuitive, and probably justifiable, belief that accounting has special sampling problems, which cannot be adequately solved by procedures developed for other purposes. For the former, the remedy is in the accountant's own hands. As long as he remains ignorant about statistical techniques, he cannot really judge whether or not they may be useful to him. The latter calls for careful study of sampling problems in accountancy, so that aspects peculiar to it may be distinguished from those common to other sampling problems.

Sampling is in no sense a substitute for the professional skills of the accountant. Like addition or multiplication, it is a tool, but no more. All that the statistician would claim is that both in auditing and in routine accounting there are occasions when application of modern sampling methods may provide more economic or more scientific means of securing desired objectives than procedures currently employed.

Verification or Test-checking

Broadly speaking, there are two ways in which sampling can be used: first, in the verification or test-checking of accounting documents, e.g. in auditing payrolls, or in passing invoices for payment; and, second, in estimation, e.g. in calculating average repair bills for different kinds of machine, or in assessing the value of an inventory. It is proposed to discuss these two types of application in turn, focusing the discussion on an example in each case. It should not be forgotten, however, that these applications do not take place in a vacuum; they form part of a [illegible]er auditing or accounting complex, in which [illegible]ccountant employs sampling techniques as [illegible] where they are necessary or economical.

Evaluation of the reliability and integrity of accounting systems through the examination of documents is a fundamental task of the auditor. When he accepts or rejects a set of records on the basis of an examination of only part of the set, he is, in fact, employing what statisticians call an 'acceptance sampling procedure'. He bases his judgment about the set of accounts, and about the system which has produced them, on the nature and extent of the faults found in a sample. The specification and evaluation of faults is essentially an accounting function, but in the interpretation of the extent of the faults in the sample in relation to the whole, the accountant may need statistical guidance.

If the amount of checking carried out is determined, as it often is, more by considerations of subjective judgment or personal convenience than by the risk of error involved in checking by sample, the auditor does not really know whether he is inspecting too many or too few items. Acceptance sampling techniques are designed to answer this question. When an auditor makes a judgment from a sample, he may err in either of two ways: he may pass an unsatisfactory set of accounts, or he may reject a satisfactory set. If he does the former, he has to some extent failed in his job; if he does the latter, he will probably give himself and his assistants unnecessary extra work. Sample checks, however, *always* involve risks of making such errors. A central feature of statistical sampling schemes is that acceptable risks may be specified beforehand and used in determining how many items to check and how many faults to allow before passing a set of accounts. In the specification of risks, the accountant's knowledge is of critical importance, since only a professional assessment of the potential for error of a given accounting system and of the consequences of an incorrect final judgment can provide a sound basis for setting acceptable levels of risk. The accountant's previous experience of the working of a system in a given organization is also required in the selection of the most economical sampling scheme for that particular case.

An Example

Consider the application of the principles of acceptance sampling to a practical problem:

The M.C.W. Company receives annually some 60,000 invoices, averaging 1,200 per week. These relate to the delivery of metal goods at a number of stores, for which there is a central accounts department, one of whose tasks is to check invoices before they are passed for payment. Checking takes up a relatively large amount of clerical time, involving for each invoice: the extraction from a file (and subsequent replacement) of a purchase order, examination of item, quantity, price and store specification, certification of delivery, and verification of arithmetic. The distribution of invoices by value, in Table I, shows that between 75 per cent and 80 per cent of the invoices call for payments of less than £50, about 50 per cent for payments of less than £10.

TABLE I

	Percentage of invoices: Week no:			
Amount	1	2	3	4
Under £10	49·2	43·6	47·9	58·9
£10– £50	27·9	30·8	31·9	22·9
50– 200	16·6	17·4	14·3	11·7
200– 500	4·1	4·9	3·3	3·6
500–1,000	1·4	1·8	1·5	1·4
£1,000 and over	0·8	1·6	1·1	1·3
	100·0	100·1	100·0	99·8
Total no. of invoices	1,633	1,198	1,629	2,827

Experience and analysis of errors shows that 100 per cent inspection of low-value invoices is uneconomic; the sums recovered through checking are likely to be considerably less that the cost of clerical time.[1] To pass invoices without check would not be acceptable, since, if this became known, the quality, and perhaps the honesty, of invoices sent to the firm might deteriorate. Furthermore, for its own cost analyses, and to satisfy external auditors, the firm requires a reliable standard of documentation. An obvious solution is to separate low from high value invoices and to check only a sample of the former, while checking all the latter. Assuming, for the moment, that the accountant can classify any given invoice as *acceptable* or *non-acceptable*, the statistician requires from him certain prior information before recommending a suitable sampling scheme. This information consists of a statement, in terms of the percentage of *not-acceptables* in a batch, of (*a*) what the accountant would regard as an acceptable percentage; (*b*) what he would regard as too bad to be accepted; and (*c*) the risks he is prepared to run of rejecting a satisfactory set of invoices and of passing an unsatisfactory set, in order to obtain the economies of sampling.

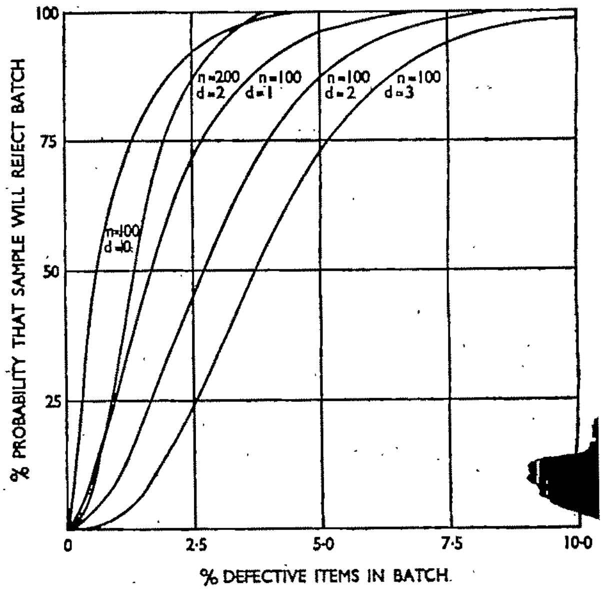
Suppose experience indicates that even a good invoicing system may produce up to 1 per cent errors in its output, and that consequently the auditor regards as acceptable a set of invoices with 1 per cent or fewer faulty items. Suppose further that a set with as many as 4 per cent of the invoices faulty would be regarded as wholly unacceptable. The auditor requires of the sampling scheme that it should entail only a small risk of *rejecting* sets of documents with 1 per cent or less unacceptable, and a small, though not necessarily equal, risk of *accepting* sets with 4 per cent or more. Reference to standard acceptance sampling tables shows that, if the accountant uses the sampling scheme:

> *from the weekly batch of 800–1,000 low value invoices, select at random and classify as acceptable or unacceptable a sample of 100, rejecting the whole if three or more are unacceptable, accepting it if two or under are unacceptable;*

the risk of rejecting acceptable batches will be about 5 in 100 or less, of accepting unsatisfactory batches about 15 in 100 or less. If these risks are too high for the accountant, he can specify lower risks, and accept a more stringent plan.

The general properties of such schemes are summarized in what are known as 'Operating characteristic curves', some examples of which are shown in the adjacent diagram. The scheme referred to in the previous paragraph, for instance, is summarized by the curve marked n = 100, d = 2. The underlying assumption is that

OPERATING CHARACTERISTIC CURVES FOR DIFFERENT SAMPLING SCHEMES



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[1] Unless there is deliberate fraud, the monetary errors in a batch of invoices usually tend to cancel each other.

batches of invoices with varying percentages of faults will be presented for inspection. The power of any scheme to discriminate between good (acceptable) and bad (unacceptable) batches is indicated by the steepness of its curve between the good percentage and the bad percentage. In the scheme $n=100$, $d=2$, the probability of accepting low quality (i.e. high percentage unacceptable) batches decreases after the 15 in 100 chance for 4 per cent to about 1 in 100 for 7·5 per cent, and for 10 per cent it is negligible.

Again, if, with samples of 100, sets of invoices are accepted only when no faults are found ($n=100$, $d=0$) there would still be a 50 in 100 chance of accepting sets with 1 per cent faulty invoices, and about 25 in 100 for sets with 2 per cent faulty. Thus, while the scheme $n=100$, $d=0$ is superior to the scheme $n=100$, $d=2$ in that the chance of accepting a poor (4 per cent faulty) batch is 1 in 100 as compared with 15 in 100, it is inferior to it in that it involves a large increase in the rejection rate of, and hence in the effort expended on, batches of invoices of an acceptable standard. This means, in effect, that in specifying risks, the accountant is trying to find an equitable balance between the need to avoid unnecessary extra work and the need to discover and take action on slipshod or incorrect work.

Some comparisons have been made between the potential results from employing such schemes, and the actual results from 100 per cent checking. A specimen comparison is shown in Table II. In theory, of course, after 100 per cent checking, the invoices are without fault. The sampling scheme employed only ensures that there is very little chance of the outgoing invoices as a whole being more than about 1 per cent faulty.

TABLE II

Comparison of results of complete check of invoices with sample check

(a) *Complete check*

No. of invoices under £50 – 15,000 or 15 batches of c. 1,000

Cost of 100 per cent check – £600

Net amount recovered – £50

Net cost of check – £550

(b) *Sample check*

No. of invoices inspected;	(a) As sample –	1,500
	(b) As rejects –	2,700
	Total	4,200

Cost of sample check –	£148
Plus sorting time	60
Total	£208

Net amount recovered – £20

Net cost of sample check £188

Net saving = £362

Contribution and Limitations of Statistical Method

The example makes fairly obvious the main contribution of statistical method in test-checking. Given the required accounting standards, acceptance sampling procedures enable auditors either to calculate the risks of making wrong decisions implicit in a given amount of inspection and tolerance, or to determine the amount of inspection and tolerance needed if these risks are to be kept at or below a given level. The critical decisions about acceptable risks are essentially the accountant's; the statistician merely presents evidence based on accounting standards. An accountant who is unwilling to accept any risk cannot use sampling methods. The real advantage of acceptance sampling is that implicit risks are brought out into the open, and the *amount* of test-checking determined explicitly with them in mind. Furthermore, the auditor can and should follow his usual course of action on errors found even in a statistically 'acceptable' set of records. For instance, if he discovers a fraudulent document, he may decide to examine all documents from the same source, while accepting the remainder of the documents. In short, statistical sampling methods should be used within the framework of accounting knowledge and practice. Their function is to give precision to an aspect of accounting and auditing which has hitherto been largely a matter of guesswork and convenience.

Two features of this use of sampling require special consideration. First, there is the need for classification of an invoice, or other accounting document, or entry, as acceptable or not acceptable. This implies the existence of a clear-cut error concept. Second, there is the consequence of rejection. Most standard acceptance sampling schemes – except when tests are destructive – are based on the rule that rejection is followed by 100 per cent inspection, and rectification or replacement of defective items. This is not necessarily the most suitable rule for sampling in accountancy especially in auditing, since the auditor is more concerned to eliminate weaknesses in the system than to correct past records.

(*To be concluded.*)

Australasian Commentary – XIX

Professional Topics in Australia and New Zealand

by S. R. BROWN, LL.B., (F.C.A.Aust.)

Changing Business Pattern

THE pattern of the Australian business world is changing. Following the entry by nearly all of our leading trading banks into the hire-purchase sphere and into savings bank business, the latest move of the banks is towards the unit trust field. To these interesting developments are added the introduction of a short-term money market by certain organizations which intend to operate as discount houses. Australia's two giants in the life assurance business are also biting deeper into the financial pie – one has just acquired a 44 per cent interest in a hire-purchase financing company and the other has recently moved into the fire and general insurance fields.

As Mr R. F. Arthur, A.A.S.A., said in the July issue of *The Australian Accountant*, 'it looks like a coming-of-age for the Australian capital market, a growing sophistication that should prove of considerable value to industry', and he continued:

> 'All things considered, the general financial position is particularly interesting. Certainly it doesn't lack incident. In fact, the feeling these days is that practically any development is likely. There is worry about the current economic outlook, and internally there is the prospect of stiffer competition. But, with the many examples of long term confidence expressed by major local and overseas organizations, it is impossible to escape the impression of an underlying optimism in the country's future development.'

This summing-up gives a fair view of the present Australian business scene. It is one, furthermore, which must have corresponded closely with that of the Federal Treasurer who, in submitting his new Budget, felt that no taxation concessions were necessary (apart from ones that are, in the overall picture, insignificant).

Where to ? – How far ?

At the first Australian Cost Accountants' Convention held recently, Sir Alexander Fitzgerald, O.B.E., F.C.A.(AUST.), spoke on the subject – 'How far have we come and where are we going?' Sir Alexander, who was the first Gordon L. Wood Professor of Accounting at the University of Melbourne, claimed that a broadening of the base of education for the accounting profession is needed. He expressed the view that although cost accounting had made good technical progress in the last fifty years, there was little reason for it to be satisfied with the present status of the individual cost accountant, or with the standing of the profession in the community.

Said Sir Alexander:

> 'Accountants have been far too preoccupied with techniques. They have failed to develop capacities to analyse, interpret and communicate the results of their work to management. Until they think in management terms, they cannot expect management to admit them as full members of the management team. Accountants' contributions to the analysis of cost structure of primary industries, or to the application of managerial accounting to public undertakings had been disappointing and meagre. Educational and examination systems, rather than lack of technical competence, form the basic cause of these failures.'
>
> – *The Australian Accountant*, July.

Audit of of Stock-in-trade

Bulletin No. 2 recently issued by the Australian Chartered Accountants' Research and Service Foundation provides an analysis and survey of answers given to a questionnaire distributed to practising chartered accountants throughout Australia, covering the audit of stock-in-trade for limited liability companies. The answers submitted came from 244 firms and represented the views of 630 practising members.

The Bulletin is a most comprehensive document and it is quite impossible to crystallize its findings here. However, selecting the one problem which is uppermost in the minds of most Australian practitioners, and one which, at the same time, is likely to be of special interest to English accountants, we can look at the answers to the question:

'Do you make a practice of imposing a physical check upon stocks?'

The Bulletin reports that out of the 244 replies to this question, 138 stated that they *did* make a practice of imposing a physical check upon stocks, 103 reported that they did *not* make a practice of this form of check, and 3 expressed no opinion.

An analysis of the 138 affirmative answers shows that 28 came from firms classified as large, 58 from medium-sized firms and 52 from small firms. Of the 103 who said *no*, 21 came from large firms, 28 from medium-sized firms and 54 from small firms.

In some instances a distinction was made between the audit of public and private companies. In New South Wales, Queensland and South Australia opinions were about evenly divided on the matter, but Victoria (3 : 1), Western Australia (2 : 1) and Tasmania (2 : 1) favoured the physical checking of stock. Some only carried out a physical check if requested by the client, or if considered necessary, or where records were not available.

Unique Press Action

The Melbourne Herald recently made a most commendable decision – one that will no doubt be followed by other leading newspapers. It announced that as from July 21st, all advertisements seeking deposit money or subscriptions to registered notes must contain, as part of the advertisement, an up-to-date certificate by a chartered accountant or licensed auditor showing the amount of tangible asset backing of the advertising company. The consolidated figure will be required in the case of holding companies.

The Institute of Chartered Accountants in Australia has announced its approval of *The Melbourne Herald's* policy and advises its members that it is competent under their eithical rules for such a certificate, with the name of the member, to be published. Naturally, the Institute adds, members will ensure their names are kept to small type in the advertisement.

Stock Management

'To manufacture finished stocks in excess of demand is identical with drawing a cheque for the amount of the excess on your bank account.' This statement was made by Mr J. A. Macdonald, A.A.S.A., in one of three papers recently published together as Technical Bulletin No. 4 by the Australian Society of Accountants.

The Bulletin deals with current trends in the management of stock, and the papers separate the manufacturer's problems from the retailer's approach. So far as retailers are concerned, said Mr F. T. Whiteway, A.A.S.A., their dream is to have the right goods at the right place at the right time in the right quantities at the right prices and he gives some excellent advice on stock control methods.

The paper by Mr W. A. Dick, B.COM., A.A.S.A., concentrates more on the scientific methods employed in stock management.

Altogether, this Bulletin is perhaps the most valuable publication of its kind that we have seen in Australia for many years and at one shilling and sixpence its price for 48 pages of such useful material is purely nominal.

Finance Company Funds

The May issue of *The Australian Accountant* carries an interim report on investigations into changes in the sources of funds of Australian finance companies in post-war years. The period covered is the six years between 1950–51 and 1955–56. Investigators are Mr W. L. Burke, A.A.S.A., and Mr N. Runcie, A.A.S.A., both of the Faculty of Commerce, N.S.W. University of Technology.

The survey has been based on the analysis of published balance sheets and financial statements of twenty-eight companies. Perhaps the most interesting of the findings is that which shows how the sources of funds have changed, in the aggregate, during the period. The table below sets out these changes:

AGGREGATE SOURCES OF FUNDS

Accounts balancing during year	Shareholders' funds		Bank overdrafts		Public borrowing		Other liabilities		Total funds	
	£m	%	£m	%	£m	%	£m	%	£m	%
1951	10·996	31·3	7·442	21·2	11·169	31·7	5·569	15·8	35·176	100·0
1952	12·853	31·0	8·385	20·2	13·340	32·1	6·928	16·7	41·506	100·0
1953	15·136	30·8	10·812	22·0	14·104	28·7	9·121	18·5	49·173	100·0
1954	20·605	29·2	18·323	25·9	23·713	33·5	8·042	11·4	70·683	100·0
1955	32·317	30·7	16·938	16·1	41·822	39·8	14·070	13·4	105·147	100·0
1956	36·848	28·8	14·968	11·7	58·965	46·0	17·311	13·5	128·092	100·0

The Progress of Tax Reform – I

by SIR WILLIAM CARRINGTON, F.C.A.

I. INTRODUCTION

I PROPOSE to deal in this paper with the reform of those taxes which have the greatest impact on the payer; income tax, surtax, profits tax and estate duty. There are of course no good taxes, they are an unfortunate necessity. It is the function of a statesman to raise the money which the country needs with the least possible hindrance and harm to the national effort and prosperity. A politician approaches the matter differently: the thoughts of most are conditioned by the fancies and prejudices of their supporters and not a few are unduly influenced by that distrust of change that seems to be endemic in the Treasury and Somerset House. Statesmen are rare: hence the complicated patchwork quilt of taxation 'up with which we have to put' (apologies for the plagiarism to A Former Naval Person).

In the context of taxation I would define 'reform' as (1) the removal of inequities as between one class of taxpayer and another; (2) the minimizing of the harmful impact on national effort and prosperity; and (3) the exclusion of unnecessary complications and absurd anomalies. As to (1) and (2), these may well involve the broadening of the base of a tax with the resultant lessening of the impact by reduction from a very high rate, which latter can seldom be justified except in wartime. In regard to (3) absolute simplicity in taxation is quite definitely impossible of achievement in such a highly complex society as ours, but this is no justification for retaining complexities which are unnecessary or provisions which even the House of Lords cannot construe with unanimity and some of which they have been tempted to reject as meaningless.

II. INCOME TAX

Income tax is the oldest of the four taxes and has roots even in the seventeenth century when the tax, now known as 'land tax', in fact provided for the taxation of incomes, although in this field it was never very successful and it had degenerated in Pitt's time into a kind of redeemable rent-charge on land. Although Pitt is commonly regarded as the father of modern income tax, the palm really belongs to Addington. Pitt introduced a kind of expenditure tax in 1797 but it was a failure and let that not be forgotten. His income tax of 1799 was hardly more successful and was repealed in 1802, after having been characterized as:

> 'destructive of the trading world . . . hostile to the liberties and morals of the people and incapable of being made equitable or efficient'.

By contrast, Addington's Income Tax Act of 1803 is little different in essentials from the Act of 1952. It introduced the fundamental principle of taxation, where possible at source, and the classification of income in five schedules. Collection at source, with the corresponding grant of the right to deduct, is the real strength of our income tax system. The introduction of P.A.Y.E. during the last war was not a novel idea, it was simply an application of Addington's own principle.

Income tax was discontinued after the defeat of Napoleon but was reimposed by Peel in 1842, ostensibly for four years. It has remained ever since. The Act of 1842 was almost entirely a re-enactment of the Act of 1806 which was itself largely a re-enactment of Addington's Act of 1803. This, to some extent, explains the emphasis on the taxation of landed property under Schedule A, for in Napoleonic times trade and industry had not developed to the same extent as in 1842, not to mention our own times. Addington in 1802 estimated the income from real property at about £37 million and the income from trade at between £10 million and £20 million.

Income Tax an Annual Tax

Since 1870 income tax has been, at least in theory, an annual tax which has to be imposed anew each year. The Act imposing the tax is usually passed when the year is somewhat advanced and therefore, to ensure continuity of administration, it was provided in 1890 that the income tax provisions at the end of one year should have effect for the following year with respect to the tax which might be imposed. On the strength of this provision, tax was collected each year before Parliament had granted it. However, in 1912, this practice was successfully challenged by Mr Thomas Gibson Bowles who questioned the right of the Bank of England to deduct tax from the interest on Government securities owned by him, at a time when no Act imposing such tax was in force. His success was perhaps all the more remarkable in that he gained it while appearing in Court in person against such doughty adversaries as Sir Rufus Isaacs and Sir John Simon, the Attorney-General and the Solicitor-General respectively. However, Mr Bowles triumph was short-lived, for the Crown's position was regularized by the Provisional Collection of Taxes Act, 1913.

It has been the sad lot of many successful litigants in the Revenue Court since Mr Bowles to see their victories turned to ashes by amending legislation; not a few of the amendments have had a retrospective

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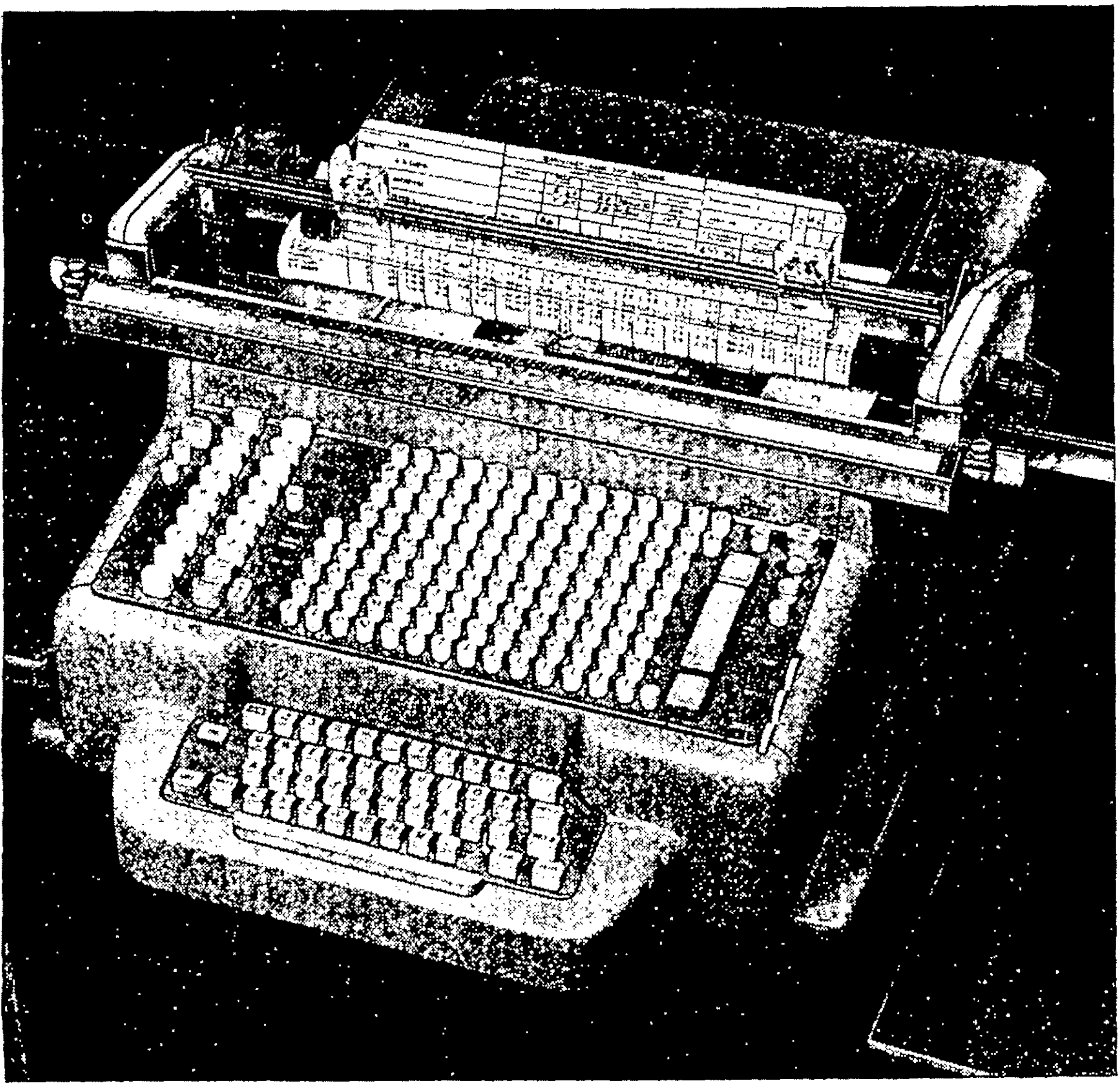
The first part of an address delivered at the autumn meeting of The Institute of Chartered Accountants in England and Wales, in London, on October 4th, 1958.



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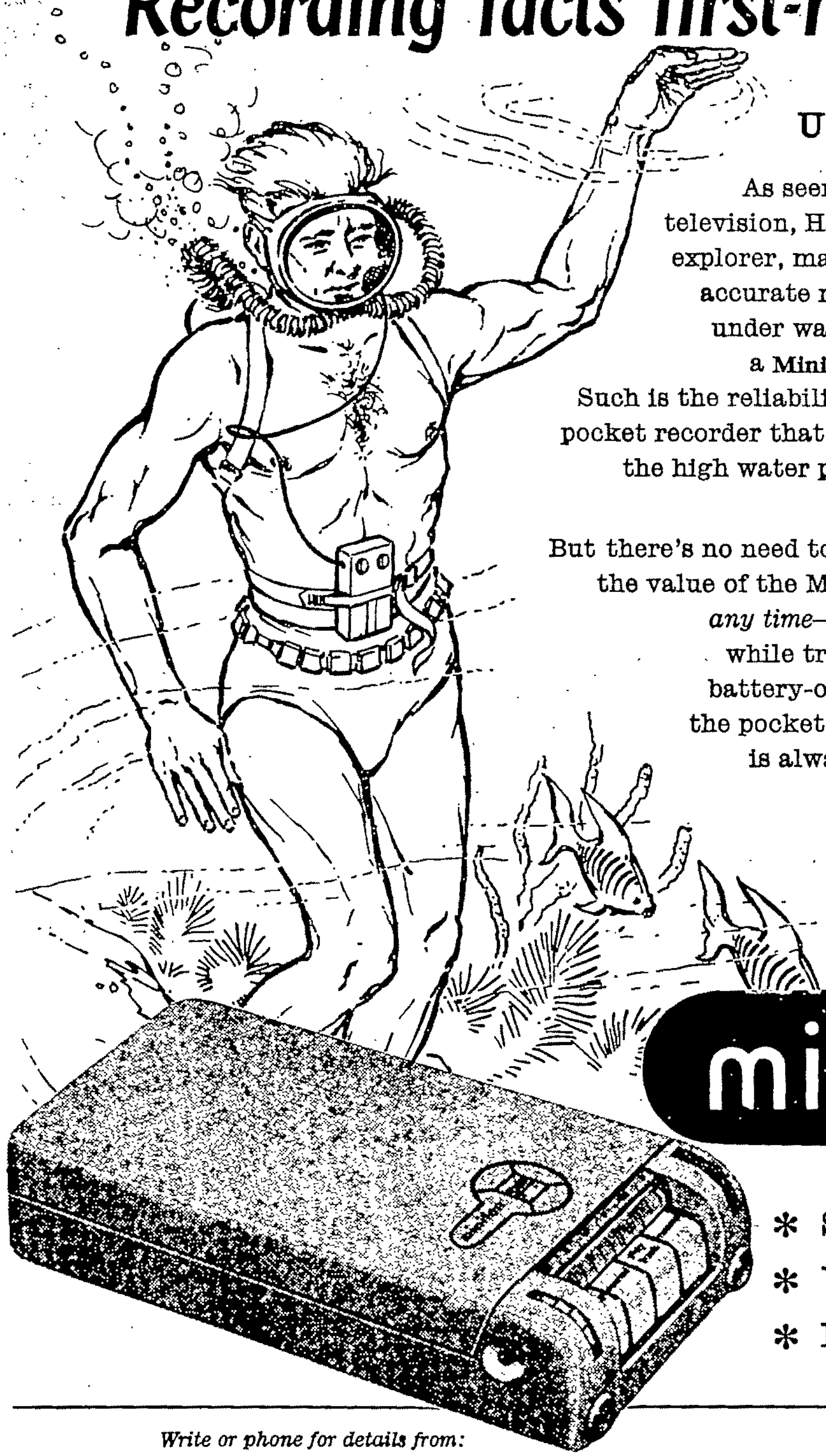

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effect and no political party is in a position honestly to criticize its opponents in principle for permitting the Treasury to use this weapon.

What is Profit?

The rules for arriving at industrial and commercial profits also reflect the original temporary nature of the legislation. In 1803 it was not expected that the tax would be in being for very long, it was simply a means of raising money quickly and the Act of that year looked largely to the cash profits of merchants rather than to profits computed on a scientific basis. Inroads have of course been made into this original concept of the cash account but most of them are comparatively modern. In 1851 and again in 1861 a select committee considered alleged inequalities in income tax but recommended no change. It was not until 1853 that a deduction for expenses for Schedule E was accorded, and it is significant that the present counterpart is in the same words as those used in 1853. A very limited extension was granted by the 1958 Finance Act, but it did not go nearly far enough.

Wear and Tear

Although local commissioners were giving allowances for the depreciation of plant and machinery as early as the 1850s with the tacit acquiescence of the Inland Revenue, it was not until 1878 that statutory sanction was given. A departmental committee reported in 1905 that the system of wear and tear allowances was satisfactory except that there should also be an allowance of the full annual value of mills and factories, because of the excessive depreciation of the structure. This illogical allowance was first given in 1918. It was modified in 1937, and in 1945 it was replaced by the system of allowances for industrial buildings and the like based on the original cost of construction of the unit in question.

Originally and for very many years the amount of the wear and tear allowance was left to the discretion of the Appeal Commissioners. In 1932 there was a general increase by one-tenth of the rate currently allowed and in 1938 this overall addition was altered to one-fifth. Obsolescence allowance, given as an extra-statutory concession from 1897, was made statutory in 1918. In 1945 the Income Tax Act of that year increased the wear and tear allowance to five-fourths of what the commissioners considered to be just and reasonable. This was a change of form but not really one of substance. At the same time the obsolescence allowance was replaced by the modern balancing allowance, and a new initial allowance of one-fifth was introduced.

The year 1949 brought what some people regard as an unfortunate development in the field of wear and tear allowances. Until then the arbiters of the amount of the deduction were the General or Special Commissioners who gave such a percentage as they considered was just and reasonable. Inside that framework the Board of Inland Revenue arrived at informal agreements with trade associations and the like for appropriate percentages in particular cases, and a list of these was published for the guidance of both taxpayers and commissioners. In 1949 an elaborate new code was introduced under which the Board of Inland Revenue fixed the rates and the power to appeal to the General or Special Commissioners was replaced by appeal to the Board of Referees. Appeal could be made only in special circumstances and must be for an increase, not a decrease. These changes in principle and the complexities in the new code could be described by the purist as the antithesis of reform but I consider that the administrative scheme laid down in the new code has worked well in practice so that I do not think that any major reform in the code as such is a matter of any urgency.

There is, however, one anomaly of the new code which was pointed out by the first Millard Tucker Committee in 1951, namely, that while ordinary wear and tear is to be based on the plant in use at the end of the basis period, any additional allowance, or reduction, for abnormal working such as heavy overtime is to be related to the year of assessment. The Millard Tucker Committee recommended that both the normal and the additional allowances should be founded on the facts extant in the basis period for the assessment.

Incidentally, that Committee also recommended an extension of the system of initial allowances, but within a week the Chancellor of the Exchequer of the day had announced the coming suspension of all initial allowances. The Committee recommended a system of selective initial allowances and this has to some effect been adopted, for ships and heat insulation and fuel economy plant qualify for investment allowances. These allowances differ from initial allowances in that they do not have to be deducted in arriving at the total capital allowances on the asset in question, but are given over and above the total cost. This can be regarded either as the use of taxation as an instrument of economic policy, or as a tangible recognition of the difficulty of financing replacements of fixed assets at enhanced costs. Truth probably resides in a combination of the two motives, both of which I personally accept and support.

The 1945 Legislation

In his Budget speech in 1944, Sir John Anderson (later Lord Waverley) said that the taxable profits of industry should be:

> 'real profits in the sense that those profits should be struck only after making all proper deductions and allowances, especially adequate allowances such as might be made on a commercial basis for the amortization of money expended on assets which are used up in the making of profits.'

(*Official Report*, April 25th, 1945; Vol. 399, c. 672)

The Finance Act, 1944, provided for a five-year writing off of post-war capital expenditure on scientific research. In the following year the Income Tax Act, 1945, was passed. As I have already said, it increased the wear and tear allowances and introduced the initial allowance. It did several other things, but it did not provide for a universal application of the principle which Sir John Anderson had laid down. The reason is to be found in his speech on the second reading when he pointed to the reduced yield in tax and to the cost of administration, adding that at that stage it was better to confine the changes to encouraging the re-equipment of productive industry, including agriculture. The original idea was to confine initial allowances on machinery to new machinery, but in the event it was also given for second-hand machinery.

The Act of 1945 gave annual allowances for industrial buildings less than fifty years old and provided a 10 per cent initial allowance for new industrial buildings. Capital expenditure on agricultural or forestry buildings and works was allowed to be written off over ten years, a very generous allowance. Capital expenditure on the acquisition of patent rights could be written off over the life of the patent. At the same time, tax was imposed on the proceeds of sale of patent rights, the charge being spread over six years. In the field of mining and oil extraction, allowances were provided for writing off exploration expenditure and also expenditure on the construction of works which would be of little value when the mine or well was worked out. The annual allowance is 5 per cent, or more if the mine etc. is likely to be exhausted within twenty years.

Mining Amortization Allowances

Accepting Sir John Anderson's statement that profits should be struck after proper amortization of assets which are used in making the profits, there seems to be no reason why mining concerns should not also have amortization allowances on the cost of acquiring mineral rights. Where royalties are paid these of course are allowed, so that a mining concern which pays a capital sum to acquire mining rights is subjected to unfair discrimination.

As early as 1920 a Royal Commission on Income Tax, while rejecting amortization allowances on United Kingdom minerals, did recommend an allowance on overseas minerals, limited to the cost to the first United Kingdom purchaser. A departmental committee made a similar recommendation early in 1949, and this reached the statute book in that year. But this was not really an acceptance of a general principle, it was simply a recognition of the disadvantages suffered by United Kingdom firms carrying on mining ventures abroad in competition with foreign concerns enjoying more liberal tax treatment.

The absence of amortization allowances for United Kingdom minerals produces some absurd results. A company which purchases gravel deposits and works them, subsequently restoring the land, has to bring all sales into account but cannot make any deduction for the cost of the gravel or for restoring the land. The first Millard Tucker Committee in 1951 put on record its view that allowances for such expenditures ought to be given. This view was repeated by the Royal Commission on the Taxation of Profits and Income in 1955, but still nothing has been done. Some alleviations in other respects recommended by the first Tucker Committee in 1951 were adopted in the Finance Act, 1952, chiefly in favour of overseas mining companies.

Commercial Buildings

It is a matter for regret that there is still no depreciation allowance for commercial buildings other than factories. That such buildings do depreciate is obvious enough; one has only to look, for instance, at some of the Oxford Colleges or even Somerset House itself to see that the most solid of buildings do not last for ever. Moreover, rising standards of accommodation and changes of fashion make buildings such as shops and hotels subject to obsolescence in a very big way. The depreciation in value of a building as such is sometimes masked by a rise in the value of the site. This usually represents a fall in the value of money and on occasion other changes, such as a shift in population or the esteem in which a particular locality is regarded by the general public or the business community. These facts should not be allowed, however, to obscure the general principle that allowances should be given for the depreciation in value of assets which wear out or are consumed in the earning of taxable profits.

Depreciation Allowances and Inflation

The whole system of tax allowances for depreciation is firmly married to the historical cost of the assets concerned. This has been criticized on the ground that in a period of continuing inflation the cost of depreciation in so-called 'real terms' is higher (since the eventual replacement of an asset will cost more, sometimes much more) than the sum total of the allowances given on the asset replaced. Although there may be something to be said for this argument as a matter of abstract economic theory, once the historical cost basis is departed from complications can be endless. A general formula would have to be laid down for stepping up depreciation allowances by reference to the fall in the value of the £. Moreover, it has to be borne in mind that a vast amount of industrial plant and machinery is financed by borrowed money. Few advocates of the change choose to contemplate that some adjustment would have to be made for this but if no such adjustment were made, would not the equity holder be having a tax allowance for the decline in the real value of the fixed interest and preference capital used in the business? Such decline represents a reduction in the rights ranking in front of him and he gains to that extent. No scheme has been produced which is precise and fair enough between various classes of taxpayers to merit inclusion in a taxing Act. Apart from administrative difficulties there is the overriding question whether the owners of businesses, or of ordinary shares who at any rate are not the traditional sufferers from inflation, should have an additional tax cushion against it, while the owners of, say, debentures and Government stocks are left unprotected. The ordinary shareholder would indeed be a favoured being if he were insulated against much of the disadvantage of inflation while being allowed to retain the advantages. I do not favour a capital gains tax but I would regard such a tax as a very definite corollary to a system of depreciation allowances based on replacement costs. The one must, in my view, go with the other.

Apart from theory, the system of initial and investment allowances has in fact done a great deal to minimize the adverse effects of inflation on the power of industry to maintain and develop its productive capacity. Save in regard to shipping the running down effect of the present tax system about which we are warned has not yet been very apparent.

The phenomenal growth in the merchant fleets operating under flags of convenience is not, in my view, an illustration of the inadequacy of our system of capital allowances for tax purposes. It is the very alarming result of our having a powerful set of competitors operating completely tax free.

In peacetime the merchant navy is a vital economic factor in the life of the United Kingdom and the Commonwealth whilst in times of war our very existence and survival depend on it. Neither orthodoxy nor precedent should be allowed to stand in the way of reaching a solution which will enable Britain to have a merchant fleet adequate to our needs both in peace and war. Taxation does not represent the whole story but in that sphere I feel that the answer might be to proceed on the lines adopted in the legislation relating to Overseas Trade Corporations, that is, to exempt United Kingdom controlled shipping companies engaged in foreign-going services from all taxes on their trading profits and to tax instead interest paid on debenture and loan stocks and dividends paid to shareholders as and when such are distributed.

[illegible]arkey v. Wernher

Perhaps the most famous dictum about income tax is that of Lord Macnaghten in *London County Council v. Attorney-General* ([1901] A.C. 26, 35):

> 'Income tax, if I may be pardoned for saying so, is a tax on income.'

Until not very long ago it was regarded as axiomatic that a man could not trade with himself so as to make a taxable profit. This axiom received a severe blow in *Sharkey v. Wernher* ([1956] A.C. 58). In that case the taxpayer carried on a stud farm, the profits of which were chargeable to tax, and racing stables which were not a taxable activity. She transferred a horse from the stud farm to the racing stables. Its cost was about £1,800, its market value over £10,000. The House of Lords held that the market value must be credited to the accounts of the stud farm, thus creating what any accountant would regard as an entirely fictitious profit. The point was made that where the market value was less than cost, the taxpayer would complain if the cost figure was taken. But it is inveterate in the computation of profits that unrealized losses, but not unrealized profits, may be brought into account. This is enshrined in the formula for valuing stock; 'cost or market value, whichever is the lower'.

The repercussions of *Sharkey v. Wernher* have been very far-reaching. It penalizes the trader who quite legitimately uses at home some of the goods in which he deals, and the builder who builds a house for his daughter as a wedding present, whilst it enhances the loss claim of the 'clean boot' farmer. One wonders whether there are now regrets in Somerset House at that case having been taken to the House of Lords.

III. OVERSEAS TRADE CORPORATIONS

The case for exempting overseas profits from United Kingdom tax was examined at considerable length in Chapter 24 of the final Report of the Royal Commission. The scheme of the revolutionary new legislation in Part IV of the Finance Act, 1957, is to exempt from taxation the trading profits of 'overseas trade corporations' (i.e. broadly speaking those companies which are resident here but carry on a trade abroad) when they are earned but to charge income tax on those profits when distributed to shareholders. Although the Act itself starts off by using the word 'dividends' this is given a very wide meaning and in the schedules to the Act the term is 'relevant distributions'. For brevity I will call them 'distributions', and I will use the expression 'O.T.C.' for overseas trade corporation.

Where distributions are made by an O.T.C. which has both exempt trading income and investment income, the distributions are to be treated as made *pro rata* from these respective sources. Income tax, but not profits tax, is charged on the O.T.C. in respect of distributions it is deemed to have made out of its exempt trading income. The amount assessable is the gross equivalent of the actual sum paid, grossed up at the standard rate in force at the time of payment. However, the O.T.C. is entitled to double tax relief where the profits out of which the distribution is made have borne overseas tax. Companies receiving distributions from O.T.C.s must bring them into account for profits tax; they are not franked investment income. Different rules apply, however, when the recipient is also an O.T.C. and is the principal or a fellow subsidiary of the payer.

A non-resident shareholder is entitled to repayment of the tax paid by the O.T.C. on his dividend, but only at the net rate after taking into account any double tax relief granted to the O.T.C. One O.T.C. receiving a distribution from another O.T.C. (both being members of one group of companies) can also reclaim the relevant tax.

The 1957 legislation made considerable inroads into two fundamental principles of United Kingdom tax law, namely, that income tax extends to (1) all income arising in the United Kingdom no matter whose it is, and (2) all income of United Kingdom residents no matter where that income arises. But it did not go far enough. As pointed out in an article in *The Times* of June 30th, 1958, the main reason why the new relief is so limited in scope lies in the failure of the legislature to adopt a most important aspect of the recommendation of the Royal Commission; namely, that the relief should cover the profits of subsidiary companies resident abroad; only income from 'portfolio investments' remaining taxable. The Act excludes non-resident subsidiaries from its benefits and also dividends, royalties and other income received by O.T.C.s from such non-resident subsidiaries. Moreover, the extremely complicated provisions relating to distributions including loans and grants, have the effect of restricting very materially the mobility of funds earned overseas and well-nigh preclude centralized banking in the case of groups of companies. It is perfectly true that one overseas subsidiary of an O.T.C. can remit profits to another by way of loan without the O.T.C. incurring a charge to United Kingdom tax, but such inter-company loans cannot be made between the O.T.C. itself and its non-resident subsidiaries. This greatly restricts the mobility of capital and is, in my view, much to be deplored.

IV. BASIS OF ASSESSMENT TO INCOME TAX

Pitt's tax of 1799 provided that assessments on business profits should be based on the profit of the preceding year, but gave the taxpayer the option to take the average of the three preceding years. Addington's tax of 1803 adopted the average of the three preceding years as the normal basis, and this persisted until 1926. At first the taxpayer had an option to take the profit of the current year but a Departmental Committee set up in 1904 recommended that this option should be discontinued as being too generous, and this was done in 1907. The option was retained for commencing and cessation years.

The disadvantage of the three-year average was that profit of an exceptionally good year went on inflating the taxpayer's liability long after the profit was spent. A Royal Commission in 1920 recommended a new code of rules relating to the basis of assessment under Schedule D which has persisted to the present day, despite the many criticisms to which it has been subjected. The normal basis is the profit of the preceding year, so that tax on business profits still bears no necessary relationship to current profits. This may cause considerable hardship, particularly in the case of partnerships where fluctuations in profits are accompanied by changes in the basis of division between the partners.

Another disadvantage of the present system lies in the complicated provisions for the opening and closing years of a business. In the opening years, the profits of one accounting year commonly form the basis for two separate tax years, and may in exceptional cases form the basis for three tax years. The taxpayer has the option to have the assessments for the second and third years, as well as the first, based on the current profits of the years concerned. On the other hand, in relation to the closing years, the profits of one accounting year may not be reflected in any assessment at all. Thus, as was stated by the first Millard Tucker Committee, over the life of any business it is only by the rarest accident that the total profits assessed exactly equal the total profits made. Moreover, there are further complications whenever the taxpayer decides to change his accounting date. If he hives off part of his business again he suffers, for the preceding year basis means that he pays tax on a part of his business which he no longer owns. On the other hand, if he amalgamates part of another business with his own business, he is in danger of having to pay tax on the current year basis on the grounds that he has discontinued one business and commenced another.

Where business profits suffer double taxation, and one year's profits form the basis of assessment for more than one tax year, then double tax relief for the additional years is lost.

The first Millard Tucker Committee felt unable to recommend the adoption of the current year basis, because of the enormous complications which would result in the case of individuals and partnerships. The Royal Commission, on the other hand, recommended that the change be made for corporate bodies only.

The Royal Commission also recommended the current year basis for assessments on foreign income, a change which would end the hardship referred to above in relation to double tax relief. It recommended no change in respect of assessments under Case III of Schedule D, on such things as interest since fluctuations here are much less, and moreover the taxpayer can insist on the current year basis on bank interest by making deposits and withdrawals, each new deposit being a separate 'source'. This fact is emphasized by the Court of Appeal decision last year in *Sangster v. Hart* ([1957] Ch. 329).

To sum up, the preceding year basis is not only illogical but on the one hand it can give rise to major hardship whilst on the other hand on occasion it facilitates tax avoidance. The Institute Council has pressed for years and still continues to do so, that legislation should be introduced that profits and other income assessed to tax under Schedule D should be assessed on a current year basis. Let us hope that our efforts will not prove in vain.

V. LOSSES

In nothing is the patchwork nature of income tax legislation more obvious than in the provisions for the allowance of losses. From the beginnings of the tax, a taxpayer carrying on two or more trades has been allowed to set off the losses of one against the profits of the other. The loss is computed as a kind of negative assessment, so that a loss in the first year's trading might be allowable three times over.

In 1890 the right to set off a trading loss against non-trading income of the same year was granted. Then in 1926, when the three-year average was dropped, the taxpayer was allowed to carry forward a loss against the profits of the same business in subsequent years, limited at first to six years and later made without limit. The past few years have seen further refinements in the already complicated loss provisions, and in the field of partnerships the complexities are almost infinite. What is obviously needed is a new omnibus provision which simply allows a loss to be set off against all other income, whether of the same or subsequent years. There is already a similar provision which is confined to income assessable under Case VI.

Group Subvention Payments

A comparison of the history of professional thought and techniques in regard to group accounts with the long delayed acknowledgment in the sphere of income tax of the economic unity of a holding company and its subsidiaries illustrates the cautious approach to new ideas that seems to hold sway within that edifice in the Strand whose portals for so long bore the inscription 'Dead Slow'.

The late Sir Gilbert Garnsey's book on *Holding Companies and their Published Accounts* blazed the trail for the profession in 1923. The Committee of the London Stock Exchange promulgated its first requirements on the subject in February 1939. The Council of the Institute issued in 1944 its recommendation that the presentation of consolidated accounts or similar statements in supplementation of the accounts of holding companies should be regarded as essential from the standpoint of best accounting practice; in 1945 the Cohen Committee recommended that the publication of such group accounts should be made a statutory obligation and this became law in the Companies Act of 1948. Meanwhile, Sir Thomas Robson had published an admirable book on the subject in 1945 and he brought out a revised edition of that book in 1950.

No such progress was discernible in the income tax field for many years despite repeated representations by the Institute and other bodies that some form of group consolidation between holding and subsidiary companies should be permissible for income tax purposes. Ultimately, however, progress came to be recorded in Section 20 of the Finance Act, 1953; the section is long and tortuous but it is fair to say that one has heard few, if any, complaints as to the way it works in practice.

The scheme of the section is that where one associated company makes a subvention payment to another associated company, the sum paid is treated as an allowable expense in the accounts of the paying company and as a trading receipt in the accounts of the recipient company. The test of 'association' is the same as for profits tax and must be satisfied throughout the material period. Both paying company and recipient must be resident in the United Kingdom and neither must be an overseas trade corporation. The section applies only if the payment is made under an agreement for sharing losses or a particular loss and would not otherwise be an admissible expense of the payer or taxable by deduction or otherwise in the hands of the recipient. The reference to the necessity for an agreement is important; it is understood that the Inland Revenue regard this as meaning an arrangement which is capable of being enforced at law, so before the payment is made there must be either a deed or an agreement between the parties with some identifiable consideration passing from the payee. The consideration need not necessarily be adequate but the agreement should be demonstrably for the paying company's benefit; to be safe from any argument that it is *ultra vires*.

Although the relevant agreement must be to bear or share 'losses', these are not defined by the section, which in fact limits the allowable extent of a subvention payment to the 'deficit' of the recipient or the 'surplus' of the payer, whichever is the less. Both deficit and surplus are computed in the same way. The profit (if any) of the accounting period is added to the company's other income (ignoring the subvention payment) for the tax year in which the accounting period ends. From this total are deducted (i) the loss (if any) of the accounting period, (ii) the capital allowances referable to the tax year, and (iii) 'annual payments' from which tax is deductible for that year. If the balance is a minus quantity, it is a deficit; otherwise it is a surplus.

Many of the complications which Section 20 has to deal with arise directly from the arbitrary bases of assessment, particularly in commencing and closing years, and provide another argument for adopting the current year basis.

VI. SCHEDULE E

Schedule E originally charged the remuneration from 'public offices or employments of profit'. All other remuneration from employment was charged under Schedule D. For many years the employees of public corporations like the railway companies were assessed under Schedule E until the House of Lords' decision in *Great Western Railway Co v. Bater* ([1922] 2 A.C. 1), when Lord Sumner caustically observed that a railway clerk did not hold a public office, he merely sat in one. Following that decision all employments assessable under Schedule D were transferred to Schedule E by the Finance Act, 1922.

One perhaps unexpected result of this change is that the persons affected by it were made subject to a much more stringent rule in regard to expenses.

Expense deductions from Schedule E assessments were first sanctioned in 1853, in language that implies that any employee who travels on duty is most likely to do so on horseback. This quaint wording survives in the Income Tax Act of 1952. Restrictive as is the wording of the expenses rule, an even more restrictive meaning has been placed on it by a series of judicial decisions. For instance, a London barrister who held the recordership of Portsmouth was not allowed to deduct the expense of 10*s* to carry his tin box containing his robes to and from the Court. As recently as last year the Court held that a billeting allowance paid to a national serviceman was an assessable emolument of his employment, and that sums paid by him for his billet were not a deductible expense. All suggestions for liberalizing the expenses rule, including a recommendation by the Royal Commission in 1955 to which I refer below, have failed, but this year a very limited relief was introduced in the allowance of certain professional subscriptions. This new relief can only be regarded as derisory. Last January the Council made a submission to the Board of Inland Revenue in the following terms:

(*a*) The law should be amended so as to authorize the deduction of 'all expenses incurred wholly and exclusively for the proper performance of the duties' but with such exceptions as are appropriate on the lines of sub-paragraphs (*b*) to (*n*) of Section 137, Income Tax Act, 1952 (Schedule D expenses rule).

(*b*) It should be made clear that apportionment is permissible where appropriate such as repairs to a motor-car which is used partly for the performance of the duties and partly for private purposes.

(*c*) Provision should be made for the deduction of expenses which are incidental to earnings from more than one source, whether assessed under Schedule E or Schedule D, along the lines recommended in paragraph 241 of the Final Report of the Royal Commission on the Taxation of Profits and Income.

Paragraph 241 of the Report of the Royal Commission reads as follows:

> 'We came to the conclusion that the law ought to make some general provision for the travelling expenses that are incidental to multiple employment. We consulted the Board as to the feasibility of this, and we are satisfied that it is feasible to produce a scheme that will be reasonably satisfactory for the purpose that we have in mind, although some detailed provisions will have to be worked out to prevent it from giving a larger measure of relief than would be fair having regard to the general principle of not allowing the cost of travel from home to work.
>
> 'The outline of what we recommend is as follows:
>
> (1) The relief should extend to all persons who derive income from more than one source of earning.
>
> (2) It should be based on the conception that all sources of such income are, for this purpose, one source: that a main source should be selected from among the various sources to represent the normal place of employment: and that all extra expense thrown upon the taxpayer by travelling to the subsidiary sources of employment should be a deductible expense.
>
> (3) The main source should be determined by the circumstances of the case, in particular, the relative amount of time devoted to it and the relative return from it by way of income. The taxpayer should be required to nominate his main source in the first instance: if the Inspector does not accept it, the taxpayer should have a right of appeal to the General Commissioners.
>
> (4) The cost of travel to and from home and to the main job would not be allowed.'

The mountain has indeed produced a mouse.

Foreign Employment

The antiquated nature of some of the income tax charging provisions to which I have referred gave rise to some remarkable anomalies where there were foreign elements in a person's employment. A line of cases culminating in the House of Lords' decision in *McMillan v. Guest* (24 T.C. 190) established that a director of a United Kingdom company who lived and worked wholly abroad was nevertheless chargeable under Schedule E on all his remuneration, because he held a 'public office' in the United Kingdom (even though the company might be a 'private' company). On the other hand, the House of Lords held in *Harvey v. Breyfogle* (34 T.C. 138) that an employee resident in the United Kingdom and carrying out all his duties here was not chargeable under Schedule E if the contract of employment was made abroad with a foreign employer and the remuneration was payable abroad. Liability was confined to the remuneration actually remitted to this country, and was imposed under Case V of Schedule D as on a 'foreign possession'. It so happened that Mr Breyfogle had a foreign domicile but the principle applied in similar circumstances equally to persons of English domicile, and put them in a very favourable position, particularly if their remuneration was not taxable in the country in which it was paid.

The problem was examined in paragraphs 297–307 of the Final Report of the Royal Commission and gave rise to much-needed reforms, introduced by the Finance Act, 1956, and rightly laying more stress on the place where the duties are performed. These reforms preserve the advantage of the remittance basis in the *Breyfogle* type of case, i.e. where the employer is abroad, but only if the employee has a foreign domicile. Subject to that, an employee who is both resident and ordinarily resident in the United Kingdom always pays tax on the whole of his remuneration unless his duties are wholly abroad, in which case he too enjoys the remittance basis. If he is resident but not 'ordinarily' resident here and his duties are partly abroad he is charged on the remuneration for duties performed in the United Kingdom, plus remittances of the remuneration for duties performed abroad. If he is not resident, then none of his remuneration earned abroad attracts tax, whether remitted here or not. All remuneration is now assessed under one or other of the three new 'cases' of Schedule E, the concept of an employment as a 'foreign possession' having been dropped. At the same time, in order to prevent avoidance, the 1956 Act gave a wider scope to what I have called 'remittances', for Schedule E purposes, than obtains under Schedule D. Remuneration is treated as received in the United Kingdom if paid, used or enjoyed in or in any manner or form transmitted or brought to the United Kingdom. Time will perhaps tell what precisely is meant by the word 'enjoyed'. The decision in *Thomson v. Moyse* (*The Times*, July 23rd, 1958) shows how difficult it is to legislate for every type of case.

Some very hard decisions on the meaning of 'resident in the United Kingdom' have produced results which might almost be described as harsh and unconscionable. Section 11 of the 1956 Act effected a much needed reform in the rules governing the determination of the residential status of persons working full time in employments, trades or professions abroad. As a result, the question whether a person who works wholly abroad is resident here has to be decided without any regard to whether or not a place of abode is maintained here for his use. This means in effect that even though there is such an abode, he is not automatically treated as resident for every tax year in which he sets foot in the United Kingdom. A more common-sense approach is now possible.

Importing the conception of residence into the Schedule E rules made it necessary to have a specific Schedule E provision about the treatment of temporary visitors. It is contained in the 1956 Act and is substantially the same as the corresponding rule for liability under Schedule D. It follows that, subject [illegible] the modification which I have just mentioned, the [illegible] store of case law on that rule applies also to Schedule E.

VII. COMPENSATION FOR LOSS OF INCOME

When a Court decision shows up some absurd anomaly in taxation law, Parliament is not usually slow in passing remedial legislation, particularly if the decision means a serious loss of tax. It is remarkable, therefore, that the House of Lords' decision in *British Transport Commission v. Gourley* ([1955] 3 All E.R. 796) still governs the determination of damages where a person's income is adversely affected through personal injuries or breach of contract. The House of Lords has held that in determining the lump-sum damages for loss of earnings or other income, a deduction must be made for the income tax and surtax which that lost income would have borne. This deduction goes entirely to the benefit of the person liable in damages or his underwriters. Thus it is cheaper to maim a rich man than a poor one. However such a principle may be justified in the present state of the law, it is indefensible on moral grounds. A tortfeasor is the last person to be allowed to levy a heavy tax on his own victim.

It would be simple to amend income tax law so as to provide for the taxation of lump sums received as damages for loss of income. Where the lump sum would otherwise attract a high rate of surtax, it could be taxed on a special basis so as to prevent hardship. For instance the surtax charged on the lump sum could be restricted to the rate which would have applied if instead of the lump sum the taxpayer had had his usual income – colloquially known as 'top slicing'.

VIII. PROVISION FOR RETIREMENT

In 1956 a long-standing injustice was substantially remedied when the recommendations of the second Millard Tucker Committee were largely adopted in the Finance Act of that year. Until that year, although there was generous relief, partly by design and partly by accident, for employees who were members of superannuation schemes, other employees and also self-employed persons were by no means so well off. It was possible to save something, but not very much, for old age by means of endowment policies but the tax relief on the premiums was much restricted, largely as a result of tax avoidance devices which grew up in the early part of the century. Moreover, if the proceeds of an endowment policy were invested in a life annuity, the whole of the annuity was taxed in full, and not merely the part representing interest. The second Millard Tucker Committee made recommendations with a view to putting all taxpayers who earned their living on a more or less equal footing in relation to provision for retirement. Under the Act of 1956 taxpayers who do not enjoy the benefit of membership of a pension scheme are able to deduct from their taxable incomes the premiums they pay to secure deferred annuities at pension age. The general principle is to exempt the build-up of retirement provisions, but to tax the benefits. Correspondingly, where a life annuity is purchased out of taxed income or out of resources other than those arising from a retirement benefit scheme, only the interest portion of the annuity is taxed. This most important reform is of the highest value to professional men who often have a comparatively short period of maximum earning power, when their income is taxed at such a high rate as to make saving in the ordinary way very difficult. The problems of accumulating funds to pay out the capital of retiring or deceased partners or to finance the ever increasing need for working capital in professional firms remain. Thus the spendable income of the partner in a professional firm is kept down to extremely modest proportions and any idea of amassing a fortune is a thing of the dim and distant past.

(*To be continued.*)

Weekly Notes

Schedule E: Subscriptions to Accountancy Bodies

SECTION 16 of the Finance Act, 1958, provides for relief from Schedule E income tax in respect of subscriptions to professional bodies which have been approved for the purpose by the Inland Revenue. The required approval has now been given to The Institute of Chartered Accountants in England and Wales, and the Inland Revenue state that the whole of the annual subscription paid by a member who qualified for relief under Section 16 would be allowable as a deduction from his assessable emoluments.

The Revenue has asked that the members be informed of the approval as soon as possible, and those entitled to relief should apply to their local tax offices as soon as possible after October 31st for Form P358 on which to make a claim for adjustment of their P.A.Y.E. coding.

Similar approval has been given to:

The Institute of Chartered Accountants of Scotland;
The Institute of Chartered Accountants in Ireland (in respect of members in Northern Ireland and Great Britain);
The Association of Certified and Corporate Accountants;
The Institute of Cost and Works Accountants;
The Institute of Municipal Treasurers and Accountants.

F.B.I. on the Outlook

THE third inquiry on industrial trends made by the Federation of British Industries gives a rather more encouraging picture than the previous one. From the 510 replies to their questionnaire, the Federation find that there has been a further decline in activity between June and October, measured either by employment, hours worked, output or deliveries. The inquiry confirms the impression given by other statistics that stocks of raw materials have been falling but stocks of finished goods and work in progress have been at least stable after successive increases. There are signs, on the other side of the balance sheet, however, that the downward trend in new orders is slowing down. There are no signs of an improvement in the downward tendency already apparent to undertake less new investment in building and plant during the coming year, but there is a noticeable improvement in the attitude towards the general business situation. This last must, of course, be the precursor to an increase in investment.

The home outlook, to judge from the inquiry, is better than that for exports. Export orders and deliveries have both declined over the last four months and this trend in the export position is probably the most serious aspect of the present situation.

Returns continue to emphasize rising costs, falling selling prices and reduced profit margins. As between different industries the important change is the less favourable position of the engineering and metals group. In previous inquiries this group has shown a performance better than average but in the third inquiry its performance is below average. Since this group is so large, unless there is a change of trend fairly soon it is bound to drag the average down after it.

Another Coal Company Resuscitated

LAST Monday, Mr Justice Vaisey made an order declaring void the dissolution of Pearson & Knowles Coal and Iron Co Ltd. As in the case of the Wigan Coal Corporation, for which a similar order was made a fortnight previously, the restoration of the company was sought for the purpose of seeing whether it could recover any income tax from the Inland Revenue in view of the Court of Appeal decision in *Whitworth Park Coal Co Ltd v. C.I.R.* (37 A.T.C. 106).

Winding-up during Board of Trade Investigation

HIS lordship on the same day ordered the compulsory winding-up of Wright Hamer Textiles Ltd, on the petition of Hide & Co Ltd. The petition was resisted by the company and by four opposing shareholders on the ground that the debt on which the petition was founded was bona fide disputed. It was also pointed out that both companies were the subject of investigations by the Board of Trade. To this his lordship replied that he was not going to allow an investigation by the Board of Trade to supersede the jurisdiction of the Court.

Counsel for the petitioner said that it would [illegible] for the appointment of Sir William Carring[illegible] F.C.A., as liquidator, he being one of the inspectors appointed by the Board of Trade. Counsel for the opposing shareholders said that if winding-up was ordered the petitioner should give an undertaking that the Official Receiver should remain liquidator. After discussion between counsel it was agreed that a partner in Messrs Deloitte, Plender, Griffiths & Co, Chartered Accountants, should be appointed liquidator. His lordship then made the winding-up order on the ground that it was 'just and equitable' to do so.

Share Fraud Convictions

ALL four defendants in the share-pushing trial at the Central Criminal Court were on Monday found guilty on all the charges left to the jury. The accused were: Eric James Limpkin, 38, journalist, of Church Road, Purley, Surrey, sentenced to three years' imprisonment; Frank Hay Livingstone Mackinnon, 41, company director, of Church Road, Great Bookham, Surrey; Leonard Charles Cole, 54, stockbroker, of London Road, Wickford, Essex, sentenced to nine months' imprisonment; Boundia Securities Ltd of Berkeley Square, London, W1, fined £3,000.

All were charged with conspiring to induce persons to acquire shares in Tati Goldfields by dishonest concealment of material facts; and all except Cole faced eleven other charges of inducing persons to acquire shares in that company and Sage Oil Co by dishonest concealment of material facts and by reckless forecasts. Limpkin, Mackinnon and Boundia Securities, on the judge's direction, were found not guilty of seven charges on which the prosecution at the opening of the trial had said it would not ask for a verdict of guilty.

New Records in Life Assurance Business

RECORDS of life assurance business have continually been broken since the war and last year was no exception to this. Returns published by the Life Offices' Association and Scottish Life Offices for the year 1957 show that ordinary life and annuity funds rose by £250 million to £3,083 million. If the increase of £47 million in the industrial (home service) assurance funds is added, the contribution of all forms of life assurance brings the year's increment up to nearly £300 million and the grand total of all life funds to £4,268 million.

A highly topical feature of the statistics is that the number of people covered by staff life assurance and pension schemes arranged through life offices totalled over 3 million employees, an increase of 310,000 compared with a year earlier. Prospective pension benefits secured £464 million and lump-sum death benefits before retirement totalled £2,182 million.

The past year also reflected a big advance in self-employed pension business as a result of the 1956 Finance Act under which full tax relief was granted within limits for special forms of retirement annuity contracts. Some 71,000 contracts were effected which secured future pension benefits of nearly £23 million per annum in return for yearly premiums of £9·4 million.

Said in the City

THE Chancellor of the Exchequer was able to give a good progress report at the Lord Mayor's Dinner to the Bankers and Merchants of the City of London last week. In a generally confident forecast for the economy's future he drew attention to the continuing anxiety which existed due to the impact of higher wage rates. He was able to point out however that in the fiscal year so far, the Exchequer returns were doing slightly better than the Budget forecast. The first half-year revenue is slightly ahead of expectations and expenditure is slightly below. He went on to discuss the various relaxations which have been made to the credit squeeze, announcing a review of investment in the public sector which had led to a decision to resume an increase in the total. In consequence, the capital outlay by the nationalized industries is going to be appreciably higher in 1959–60 than in 1958–59.

Sir John Braithwaite spoke of the burden of the 2 per cent transfer stamp duty on stocks and shares. He pointed out the importance of maintaining the Stock Exchange in London as the greatest of its kind in the world and of the damage which might be done if its freedom and efficiency were chronically put in jeopardy by a tax which he considered to be the highest anywhere in the world on the movement of capital.

Shipbuilding Agreement's Inept Clause

SHIPBUILDING contracts in a standard form sponsored by the Ship & Boat Builders' National Federation contain a clause which has been common form for fifty years, but which has now been held to be inept for the purpose for which it was designed. (*McDougall v. Aeromarine of Emsworth Ltd* (*The Times*, October 18th, 1958).) The plaintiff had entered into an agreement to have a yacht built for him, clause 8 of which provided 'that the craft shall become the absolute property of the purchaser on payment of the first instalment'. The defendant agreed to build the yacht to the reasonable satisfaction of the purchaser, and to use its best endeavours to complete it by May 1957. When completed and sent for acceptance trials the yacht was found to be unseaworthy. The plaintiff sued for the return of the purchase money and damages for the loss of use. The defendant contended that in view of clause 8 the plaintiff was divested of his right to reject the yacht. Diplock, J., held that the clause could not pass the property in the yacht or equipment, which were not in being when the first instalment was paid. The clause, no doubt designed to protect the purchaser against the insolvency of the builder, was inept for that purpose. Even if he was wrong about this, and the clause was effective to pass the property as production proceeded, the property only passed defeasibly, and this did not preclude the purchaser from exercising the right of rejection.

Rates on Convalescent Home

THE Divisional Court has allowed the appeal of the Working Men's Club and Institute Union Ltd against a decision at quarter sessions that it was not entitled to rating relief under Section 8 of the Rating and Valuation (Miscellaneous Provisions) Act, 1954, in respect of its convalescent home at Langland Bay, Swansea. The Court held by a majority (Cassels, J., dissenting) that the Union's main object was for the advancement of social welfare. The object set out in Rule 2 of the Union's rules was 'to carry on the business of general advisers, teachers of the doctrine of association for social or ameliorative purposes' and the Lord Chief Justice said that this fell plainly within the words 'the advancement of social welfare'. One could only go outside the written objects if one could not find the main object from the written constitution of the organization, or if the main object was ambiguous. (*The Times*, October 18th, 1958.)

Reviews

Productivity and Economic Incentives

by J. P. DAVISON, P. SARGENT FLORENCE, BARBARA GRAY and N. S. ROSS. (George Allen & Unwin Ltd, London. 35*s* net.)

Few words in the English language can have been so overworked and misunderstood in recent years as 'productivity' and 'incentives'. This book provides a welcome break from the usual platitudes on the subject and endeavours to explain just what effect various incentives have on the productivity and attitudes of workpeople. Apart from the introductory chapter which provides a background summary of past and present studies in this field, the bulk of the book is based on the results of extended inquiries and case studies in manufacturing firms, distributive and service trades.

The firms co-operating in the inquiry had all introduced various incentive schemes and had also kept adequate records to measure the results. In addition, the authors of the inquiry had a large number of interviews with workers to ascertain the various human reactions to such attempts to increase output and efficiency. There is an especially interesting chapter based upon a case study of the problems of introducing a new incentive scheme into a works; those who have little or no experience of present-day labour in industry will find much to interest them in this account.

This piece of field research has been supported by the Department of Scientific Research and the Medical Research Council. It was financed from American counterpart funds and those responsible for allocating these moneys would no doubt be pleased indeed if all such research was as ably conducted and as well written up as this report. Inevitably with a number of workers and independent case studies there is some repetition and occasionally the statistical information erupts too frequently into the text. Anyone who has to deal with labour, whether in the manufacturing or distributive trades, will find something to interest him in this book.

The Stock Exchange Official Year-Book, 1958, Volume II

(Thomas Skinner & Co (Publishers) Ltd, London. Volumes I and II, £8 5*s*, including postage.)

Volume II of *The Stock Exchange Official Year-Book* completes the 1958 edition of this indispensable financial reference work.

The whole edition includes about twenty new Government and municipal stocks and some fifty new company entries, the majority of the latter being in the commercial and industrial section which comprises Volume II. Although the primary function of the year-book is to give details of securities quoted on the London and Official Stock Exchanges there are also included for reference purposes banking, financial and issuing companies whose quotations have been withdrawn pending reorganization or in consequence of take-over bids during the past year.

A most useful feature of Volume II is the combined index to the whole 1958 edition as well as the classified list of quoted commercial companies under a hundred trade headings and the list of Johannesburg securities in which dealing is permitted in London. The number of entries in the combined edition runs into many thousands as it gives reference to hundreds of controlled or subsidiary companies which are referred to in the particulars of their parent companies.

The total editorial pages of both volumes of this well produced and valuable guide now number 3,493, including a short supplement of information received too late to be classified.

Register of Defunct Companies, 1958

(Thomas Skinner & Co (Publishers) Ltd, London. £1 10*s* including postage.)

This *Register* records the fate of about 22,300 companies which formerly appeared in *The Stock Exchange Official Year-Book.* The new edition gives the final particulars of about 125 additional companies whose liquidation has been completed. The scope of this *Register* increases every year and it is unrivalled in its usefulness in dealing with deceased estates and tracing the value of old certificates no longer known on the markets.

Modern Banking

by R. S. SAYERS. *Fourth Edition.* (Oxford University Press, London. 21*s* net.)

This is the fourth edition of a leading textbook which first appeared before the war. According to the author, 'it is addressed primarily to the University student who wishes to include in his honours course a study of banking sufficient to enable him to understand how this important part of the economic system really works nowadays'. There are substantial changes in this edition even from the third, which was itself substantially revised. But quite apart from the changes in content as between this and the first edition, there seems to have been a general raising of the standard. In more specific terms this reviewer would have recommended the first edition strongly to any economics student; this new edition is more suited to the banking specialist.

In addition to the usual treatment of banking principles as followed by both the central and the clearing banks, Professor Sayers compares the American banking scene with our own and also outlines the basic problems of banking systems in the newer developing countries. There is also a long chapter on the significance of interest rates, although in this context the discussion of the 'new' monetary policy is a little disappointing, partly perhaps because the author completed his manuscript in April last year.

For the undergraduate following a course of study in related subjects this is a very good book, but the student whose interests in banking and monetary policy are subsidiary to other subjects would be well advised to start on a more simple volume. If he then wishes to pursue his studies still further, he could do no better than study this book which has the distinct merit of being reasonably priced.

RECENT PUBLICATIONS

PUZZLE-MATH, by George Gamow and Marvin Stern. 119 pp. 8×5½. 8*s* 6*d* net. Macmillan & Co Ltd, London.

EQUIPMENT AND METHODS FOR THE SMALLER OFFICE, by Laura Tatham. 104 pp. 10½×8. Laminated covers. 5*s* net. Business Publications Ltd, London.

'TAXATION' KEY TO INCOME TAX AND SURTAX, forty-sixth edition, Finance Act, 1958, edited by Percy F. Hughes. 223 pp. 8½×5½. Paper covers. 10*s* net, 10*s* 6*d* post free. Taxation Publishing Co Ltd, London.

'TAXATION' KEY TO PROFITS TAX, fifth edition, Finance Act, 1958, edited by Percy F. Hughes. 313 pp. 8½×5½. Paper covers. 12*s* net, 12*s* 10*d* post free. Taxation Publishing Co Ltd, London.

THE CITY'S INVISIBLE EARNINGS, by William M. Clarke. 110 pp. 7½×5. Library edition, 7*s* 6*d* net. Paper bound, 5*s* net. The Institute of Economic Affairs, 24 Austin Friars, London, EC2.

THE PROFITS TAX SIMPLIFIED, 1958–59 edition, by Arthur Rez, B.COM.(LOND.), F.R.ECON.S., F.A.C.C.A. 38 pp. 8½×5½. Paper covers. 7*s* 6*d* net. Barkeley Book Co Ltd, 39 Lansdowne Road, Stanmore, Middlesex.

PRINCIPLES AND PRACTICE OF COMMERCE, fifth edition, by James Stephenson, M.A., revised by H. O. Beecheno, B.COM. xiv+674 pp. 9×6. 30*s* net. Sir Isaac Pitman & Sons Ltd, London.

COST ACCOUNTING AND CONTROL, by Cecil Gillespie, M.B.A., C.P.A. xv+824 pp. 9½×6½. 55*s* net. Sir Isaac Pitman & Sons Ltd, London.

Finance and Commerce

Important Facts

OF all the many good points in the annual publication of The George Cohen 600 Group Ltd, whose accounts are reprinted this week, we like best [illegible]lementary information' spread across a complete opening of the quarto booklet and covering therefore some 10×16 inches. The detail from this summary is included in our reprint.

This section of the report and accounts includes the vital facts that public companies are now being asked to provide. As will be seen, it opens with 'Group turnover', moves down to 'Net earnings' and the percentage of earnings to turnover. It shows what happened to net earnings: taxation, dividends and amounts retained. It gives the nominal capital and the capital employed; the rates of dividend paid on the three classes; the ordinary dividend as a percentage of the ordinary shareholders' funds; and the number of times each dividend is covered. It ends with the average number of stockholders and of the employees, and the interesting fact is brought out that the number of stockholders is not far short of three-quarters of the number of employees.

Some of this information and particularly the dividend cover is available to professional investors such as investment trusts, banking houses and stockbrokers, through the Exchange Telegraph and Moody's services – by subscription. Here, however, are the

THE GEORGE COHEN 600 GROUP LIMITED
and SUBSIDIARY COMPANIES

Notes on Accounts

The Accounts . . . should be read in conjunction with the following notes. Comparative figures of the previous year are shown in green [italics in the reprint. – Ed.]

1. **The Authorised Share Capital** of the Parent Company is:

1,500,000 4½% Cumulative Preference Shares of £1 each	£1,500,000
1,500,000 6½% Second Cumulative Preference Shares of £1 each	1,500,000
16,000,000 Ordinary Shares of 5/- each	4,000,000
	£7,000,000

2. **Unsecured Loan Stock** of the Parent Company is:

5% Stock 1965/70—Repayable at a premium of 1% on or after 1st April, 1965, or at par on 31st March, 1970 ..	£1,000,000
6% Stock 1975/80—Repayable at par on or after 30th September, 1975, but not later than 30th September, 1980	1,500,000
	£2,500,000

3. **Movements on General Reserves** during the year ended 31st March, 1958, were as follows:

	The George Cohen 600 Group Ltd.	*Group Balance Sheet*
Balance at 31st March, 1957	£450,000	£1,623,472
Add:		
Transfers from Profit and Loss Accounts	—	175,004
Balance at 31st March, 1958	£450,000	£1,798,476

4. The Assets and Liabilities of overseas companies have been converted at the rate of exchange current at 31st March, 1958.

5. The Emoluments of the Directors of The George Cohen 600 Group Limited are made up as follows:

Total	*Fees*	*Other Emoluments*
£78,725	£3,500	£75,225
£70,971	*£3,125*	*£67,846*

6. Audit Fees and Expenses are as follows:

Total	*Parent Company*	*Subsidiary Companies*
£8,783	£1,608	£7,175
£8,922	*£1,608*	*£7,314*

7. There are contingent liabilities in respect of Bills discounted and negotiated amounting to:

Parent Company	*Total Group*
NIL	£195,000
£30,000	*£78,000*

8. Outstanding contracts for Capital Expenditure are estimated at:

Parent Company	*Total Group*
£3,000	£276,000
£10,000	*£293,900*

9. The Group has undertaken to pay, by annual instalments, certain sums to The 600 Group Staff Pension Fund, in connection with the past service of its employees. The balance of these liabilities at 31st March, [illegible] to £110,070 (*£127,740*).

THE GEORGE COHEN 600 GROUP LIMITED and SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 31st MARCH, 1958

31st March, 1958 *31st March, 1957*	£	£
AUTHORISED SHARE CAPITAL		7,000,000
		7,000,000
FUNDS INVESTED BY STOCKHOLDERS		
1,500,000 Cumulative Preference Stock Units of £1 each	1,500,000	
	1,500,000	
1,000,000 Cumulative Second Preference Stock Units of £1 each	1,000,000	
	—	
12,500,000 Ordinary Stock Units of 5/- each	3,125,000	
	2,500,000	
		5,625,000
		4,000,000
Share Premium Account		650,000
		187,500
Retained Profits:		
General Reserves	1,798,476	
	1,623,472	
Profit and Loss Appropriation Accounts	1,303,114	
	1,045,689	
		3,101,590
		2,669,161
TOTAL INVESTED BY STOCKHOLDERS		9,376,590
		6,856,661
AMOUNT INVESTED BY MINORITY SHAREHOLDERS		124,124
		108,985
UNSECURED LOAN STOCK		2,500,000
		2,500,000
AMOUNT SET ASIDE FOR FUTURE TAXATION		862,551
		1,033,383
EMPLOYEES' PENSION FUND		170,000
		150,000
CURRENT LIABILITIES:		
Bank Overdraft	276,404	
	1,806,371	
Taxation	371,856	
	335,512	
Trade Creditors and Accrued Charges	3,012,372	
	3,122,197	
Proposed Ordinary Dividend (net)	134,766	
	152,735	
		3,795,398
		5,416,815
		£16,828,663
		£16,065,844

31st March, 1958 *31st March, 1957*	£ *Original Cost*	£ *Accumulated Depreciation*	£
FIXED ASSETS:			
Freehold and Leasehold Property	2,111,309	345,794	1,765,515
	1,884,404	*304,302*	*1,580,102*
Plant, Machinery and Tools	3,580,106	1,956,363	1,623,743
	3,323,404	*1,784,176*	*1,539,228*
Motor Vehicles	661,096	390,143	270,953
	598,206	*347,179*	*251,027*
Furniture, Fixtures and Fittings	213,197	117,563	95,634
	175,146	*105,296*	*69,850*
TOTAL FIXED ASSETS	£6,565,708	£2,809,863	3,755,845
	£5,981,160	*£2,540,953*	*3,440,207*
TRADE INVESTMENTS, at Cost			27,364
			27,364
CURRENT ASSETS:			
Stock, Work-in-Progress and Hire Fleet of Contractors' Plant, as valued by the Companies' Officials at or under Cost, *less* Progress Payments		6,605,146	
		6,236,632	
Trade and Other Debtors and Bills Receivable, *less* Provision for Doubtful Debts		5,795,646	
		5,912,191	
Tax Reserve Certificates		157,700	
		—	
Cash at Bankers and in Hand		486,962	
		449,450	
			13,045,454
			12,598,273
			£16,828,663
			£16,065,844

CYRIL M. COHEN } *Directors*
HAROLD G. COHEN

To be read in conjunction with Notes on Page 507.

THE GEORGE COHEN 600 GROUP LIMITED and SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1958

	31st March, 1958 *31st March, 1957* £	 £
GROUP TURNOVER		32,705,733 *31,916,885*
DEDUCT: **COSTS:**		
Payments for Goods and Services	24,805,087 *23,763,332*	
Depreciation	478,669 *471,003*	
Wages, Salaries and Pension Fund Payments	5,459,855 *5,163,434*	
Directors' Emoluments	78,725 *70,971*	
Audit Fees and Expenses	8,783 *8,922*	
Interest on Bank Overdraft	3,897 *67,396*	
Interest on Unsecured Loan Stock	140,000 *92,500*	
		30,975,016 *29,637,558*
TRADING PROFITS *less* **LOSSES**		1,730,717 *2,279,327*
ADD: **INCOME from TRADE INVESTMENTS**		26,015 *26,015*
BOOK PROFIT on SALES OF FIXED ASSETS (net)		57,083 *31,286*
GROUP PROFITS *less* **LOSSES BEFORE TAXATION**		1,813,815 *2,336,628*
DEDUCT: **TAXATION BASED ON PROFITS OF THE YEAR:**		
Profits Tax	202,419 *194,178*	
Income Tax	794,219 *1,044,764*	
		996,638 *1,238,942*
GROUP NET PROFIT AFTER TAXATION		817,177 *1,097,686*
DEDUCT: **PROPORTION OF NET PROFIT APPLICABLE TO MINORITY SHAREHOLDERS**		8,998 *5,224*
NET PROFIT APPLICABLE TO STOCKHOLDERS OF THE PARENT COMPANY		808,179 *1,092,462*

		31st March, 1958 *31st March, 1957* £	 £
NET PROFIT APPLICABLE TO STOCKHOLDERS OF THE PARENT COMPANY			808,179 *1,092,462*
DEDUCT: **PROFITS RETAINED BY SUBSIDIARY COMPANIES:**			
Transferred to General Reserves		175,004 *220,660*	
Carried Forward *(In addition, the sum of £38,297, being provisions made in previous years, no longer required, was carried forward in the books of Subsidiary Companies)*		354,775 *479,091*	529,779 *699,751*
NET PROFIT OF PARENT COMPANY including dividends declared by Subsidiary Companies			278,400 *392,711*
ADD: **PROVISIONS MADE IN PREVIOUS YEARS,** no longer required (being provisions in the Parent Company's books for losses incurred by Subsidiaries)			100,501 *136,901*
			378,901 *529,612*
DEDUCT:			
TRANSFER TO EMPLOYEES' PENSION FUND		20,000 *50,000*	
EXPENSES OF NEW CAPITAL ISSUES		40,341 *30,765*	
GOODWILL ON ACQUISITION OF MINORITY INTEREST IN A SUBSIDIARY COMPANY		23,600 —	
TRANSFER TO GENERAL RESERVE		— *200,000*	
DIVIDENDS PAID, OR PROPOSED, less Tax:			
4½% Preference Dividends	38,812 *38,813*		
6½% Second Preference Dividends	37,375 —		
Interim Dividend on £3,125,000 Ordinary Stock at 4½%	80,859 *50,313*		
Proposed Final Dividend on £3,125,000 Ordinary Stock at 7½%	134,766 *152,735*		
		291,812 *241,861*	
			375,753 *522,626*
BALANCE FOR THE YEAR AFTER APPROPRIATIONS			3,148 *6,986*
ADD: **BALANCE FROM PREVIOUS YEAR**			123,304 *116,318*
BALANCE OF PARENT COMPANY'S PROFITS, Carried Forward			£126,452 *£123,304*

To be read in conjunction with Notes on Page 507.

important facts presented to shareholders by the company itself.

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Lower Profits

The George Cohen Group covers a wide range of activity. Among the pictures in the annual report is a part of Liverpool before and after the dismantling of the Liverpool Overhead Railway, from which thousands of tons of ferrous metal have been recovered. A full list of the divisions of the main company and of the subsidiaries is given, with details of where they are situated and with what they are concerned: new and second-hand plant and machinery, tanks, steel buildings, scrap metal, etc.

The annual publication is in fact a business, as well as a financial, statement and it is possibly for this reason that the statement by the chairman, M C. M. Cohen, is given separately. He refers amon other things to the marked drop in profits. Th company started by budgeting for approximat maintenance of the previous year's figure with du acknowledgment, however, for the uncertain future As events turned out there was a drop in the worl demand for steel, an overnight cessation of orders fo general purpose machine tools in the United States the Canadian recession, intensification of the credi squeeze, and a shortage of sterling in some markets

Profits fell away in the second half of the year an particularly sharply in the last quarter. Mr Cohen concluding, says 'everywhere the economic atmosphere is clouded with uncertainty to an almos unprecedented degree, and abroad, the political scen is extremely confused'.

THE GEORGE COHEN 600 GROUP LIMITED and SUBSIDIARY COMPANIES

SUPPLEMENTARY INFORMATION

Years ended 31st March	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
GROUP TURNOVER	32,706	31,917	25,559	19,133	17,818	21,615	14,823	11,889	9,618	9,60
Less:										
Payments for Goods and Services, *less* Sundry Income	24,953	23,946	18,769	13,172	12,939	16,117	9,929	8,529	6,828	6,697
Wages, Salaries and Pension Fund Payments	5,460	5,163	4,528	4,156	3,337	3,505	2,899	2,373	2,321	2,24
Depreciation	479	471	405	388	328	228	169	152	136	117
Total Costs	30,892	29,580	23,702	17,716	16,604	19,850	12,997	11,054	9,285	9,058
NET EARNINGS	1,814	2,337	1,857	1,417	1,214	1,765	1,826	835	333	551
% to Turnover	*5.5%*	*7.3%*	*7.3%*	*7.4%*	*6.8%*	*8.2%*	*12.3%*	*7.0%*	*3.5%*	*5.7%*
TAXATION	997	1,239	967	771	874	1,296	1,111	510	217	335
NET DIVIDENDS	294	244‡	199	167	138	135	119	113	104	98
% of Gross Dividends to Turnover	*1.6%*	*1.3%*	*1.3%*	*1.5%*	*1.4%*	*1.1%*	*1.5%*	*1.7%*	*1.9%*	*1.9%*
AMOUNTS WRITTEN OFF INVESTMENTS plus Non-Trading Expenditure *less* Sundry Exceptional Receipts	*17*	*94*	494	59	*86*	*4*	*13*	*17*	*3*	10
BALANCE OF EARNINGS INVESTED IN THE BUSINESS	540	948	197	420	288	338	609	229	15	108
	1,814	2,337	1,857	1,417	1,214	1,765	1,826	835	333	551
NET EARNINGS applicable to Stockholders of the Parent Company	1,793	2,324	1,848	1,409	1,192	1,712	1,800	814	332	546
†EARNINGS APPLICABLE TO ORDINARY STOCK	1,625	2,238	1,762	1,326	1,109	1,629	1,717	731	256	486
ISSUED SHARE CAPITAL:										
Preference Stock	2,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Ordinary Stock	3,125	2,500	2,500	1,500	1,500	1,500	600	600	600	600
AVERAGE FUNDS INVESTED BY STOCKHOLDERS:										
Applicable to Preference Stockholders	2,738	1,688	1,688	1,688	1,688	1,688	1,688	1,688	1,688	1,407
Applicable to Ordinary Stockholders	6,352	4,803	4,162	3,942	3,487	3,193	2,744	2,333	2,214	2,148
	9,090	6,491	5,850	5,630	5,175	4,881	4,432	4,021	3,902	3,555
DIVIDENDS:										
Preference	4½%	4½%	4½%	4½%	4½%	4½%	4½%	4½%	4½%	4½%
Second Preference	6½%									
Ordinary*	*12%*	*12%‡*	*11%*	*9%*	*7.2%*	*7.2%*	*6.2%*	*5.5%*	*4.8%*	*4.8%*
Ordinary Dividend % of Average Funds Invested by Ordinary Stockholders	*5.9%*	*6.2%*	*6.6%*	*5.7%*	*5.2%*	*5.7%*	*5.7%*	*5.9%*	*5.4%*	*5.6%*
COVER FOR EACH YEAR'S DIVIDEND:										
Preference	24 times	30 times	24 times	17 times	9 times	16 times	17 times	7 times	3 times	6 times
Second Preference	24 times									
Ordinary	3 times	5 times	5 times	4 times	3 times	5 times	7 times	3 times	Once	Twice
Average Number of Stockholders	5,800	3,400	3,300	3,200	3,200	3,100	3,300	3,000	2,900	2,850
Average Number of Employees	8,000	7,900	7,400	7,200	6,600	6,700	6,500	6,000	6,100	6,000

* 1955 and previous years re-computed as percentage of Ordinary Stock as subsequently increased by Capitalization of Reserves.

† After deducting Preference Dividends and Profits Tax thereon.

‡ Final Dividend paid on £3,125,000 Ordinary Stock.

Special Payment

SHAREHOLDERS in The Tor Investment Trust Ltd have this year been asked to approve a special ayment to their auditors for additional services. The uestion of a special payment must arise in company ractice but it is not very often that shareholders are rought in to the matter.

Tor Investment, as Mr R. G. Maltwood, the hairman, explained at the annual meeting, has eached an agreement with the Inland Revenue on he company's outstanding claim to double taxation elief to March 31st, 1957. As a result, the net sum of £24,180 has been credited to profit and loss appropri-tion account. It is not anticipated, he says, that urther substantial sums are likely to be received in uture years in excess of the amount included annually n gross income shown in the profit and loss account.

In addition, the Inland Revenue has agreed that the company has no liability to excess profits levy – withdrawn at the end of 1953 – and £4,400 has been brought back and the tax charge correspondingly reduced.

As may be imagined, Mr Maltwood said, these long and protracted negotiations with the Inland Revenue have involved the auditors in considerable extra work which could not have been foreseen at the time their fees for the years concerned were fixed. And so provision was made in the accounts for an additional remuneration of 250 guineas, subject to confirmation at the meeting.

Next Week's Reprint

The reprint in next week's issue will be from the accounts of Qualcast Ltd.

CITY NOTES

A DECIDED note of caution is now observable in the stock-markets. A broad assumption that current equity prices now discount re-expansion prospects some six months ahead has led to an easing back in investment demand. Support has become highly selective.

Doubts concerning the Government's intention of making early use of a lower Bank rate as an economic incentive have depressed a gilt-edged market which had previously seen the success of a £15 million Australian loan. This week's £5 million Lanarkshire County loan has found less responsive market conditions.

Any market that discounts a hopeful future to the extent of turning a completely blind eye to the facts of the present, is bound sooner or later to become top-heavy. Evidence of the over-optimism in some sections of the market has been provided lately in the shipping share section.

There, prices had risen by as much as 25 per cent from the year's 'low' but a succession of statements from shipping companies emphasizing the continuing shipping slump and passing interim dividends brought the market back to reality.

A breathing space and some consolidation in the market would not be amiss under present conditions. Outstanding speculative positions are not thought to be particularly large, except possibly in the property and television share markets.

In the general run of equities there has been a proportion of sound investment buying but some investors may have to hold for the long-term before their purchases are proved as solid as they appeared to be in a rising and optimistic market.

The F.B.I.'s recent industrial survey indicated a better feeling in industry but there is little evidence as yet that 'feeling' is being translated into a greater degree of industrial activity apart from those sections concerned with the production of consumer goods for the home market.

RATES AND PRICES

Closing prices, Wednesday, October 22nd, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

Aug. 15	£3 14*s* 5·00*d*%	Sept. 19	£3 11*s* 9·20*d*%
Aug. 22	£3 14*s* 6·25*d*%	Sept. 26	£3 12*s* 6·10*d*%
Aug. 29	£3 15*s* 2·47*d*%	Oct. 3	£3 14*s* 1·39*d*%
Sept. 5	£3 14*s* 0·93*d*%	Oct. 10	£3 13*s* 0·72*d*%
Sept. 12	£3 13*s* 6·81*d*%	Oct. 17	£3 12*s* 3·08*d*%

Money Rates

Day to day	2¾–3⅜%	*Bank Bills*	
7 days	3½–3⅝%	2 months	3 11/16–3¾%
Fine Trade Bills		3 months	3 11/16–3¾%
3 months	4½–5¼%	4 months	3 11/16–3¾%
4 months	4½–5¼%	6 months	3 11/16–3 13/16%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 11/16–¾	Frankfurt	11·68⅝–¾
Montreal	2·71 11/16–¾	Milan	1744–½
Amsterdam	10·56⅝–¾	Oslo	19·99¾–20
Brussels	139·32½–·35	Paris	1176⅜–⅝
Copenhagen	19·34⅛–⅜	Zurich	12·21⅝–⅞

Gilt-edged

Consols 2½%	52⅜	Funding 4% 60–90	87⅝xd
Consols 4%	75⅞	Savings 2½% 64–67	82⅝
War Loan 3½%	68 9/16	Savings 3% 55–65	89 5/16
Conversion 3½%	67½	Savings 3% 60–70	79½
Conversion 3½% 1969	86	Savings 3% 65–75	74⅛
Exchequer 5½% 1966	102	Treasury 2½%	50¼
Funding 3% 66–68	83⅜	Treasury 3½% 77–80	77¾
Funding 3% 59–69	81 9/16	Treasury 3½% 79–81	76¾
Funding 3½% 99–04	74	Victory 4%	94¾

Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

Pye-Smith v. C.I.R.

In the High Court of Justice (Chancery Division)
July 8th, 1958
(Before Mr Justice Danckwerts)

Estate duty – Life interest – Release by life-tenant in favour of remaindermen – Renunciation by trustees in their favour – Death of life-tenant within five years – Finance Act, 1940, Section 43 – Finance Act, 1950, Section 43.

By a marriage settlement made in 1904 the wife's fund was settled on her for life and (in the event which happened) after her death for such of her issue as she should appoint; in default of appointment the fund became divisible among the children of the marriage who attained 21, or, in the case of females, married. There were two children of the marriage, both of whom were over 21 when their mother died. The wife's fund included 7,000 £1 ordinary shares in a company. At an extraordinary general meeting of the company on July 30th, 1952, each of the ordinary shares was divided into two ordinary shares of 10*s* each; the capital of the company was increased by the creation of new ordinary shares of 10*s* each to rank *pari passu* with the existing ordinary shares; these new shares were paid up out of accumulated profits and were to be allotted to the members in the proportion of one for one. On the same day an agreement was entered into by the company with a representative of the ordinary shareholders providing for the allotment of the new shares among the shareholders, whose names were set out in a schedule to the agreement. Among these names were those of the settlement trustees. On the same day a letter of allotment was sent to the trustees, which was received by them on August 1st, stating that the right to all or any of the shares mentioned in the allotment letter could be renounced, and letters of renunciation and of application were enclosed. The trustees signed the letter of renunciation as to 10,000 shares on August 11th, and the children signed letters of application for those shares on August 21st.

On July 31st, 1952, the mother released the power of appointment in favour of her issue and surrendered

> 'all that her life interest in ten thousand new fully paid ordinary shares of ten shillings each in [the company] which but for the provisions of this deed would become subject to the trusts of the settlement to the intent that such life interest may be merged in the capital of such shares and that the trustees shall forthwith stand possessed of such shares in trust for'

the two children equally. The earliest date at which the deed of release could have been effectively delivered and become operative was August 9th, 1952. The trustees' letter of renunciation of the 10,000 shares in favour of the children was dated Augus 11th, 1952. On March 2nd, 1956, the life-tenant died

It was contended on behalf of the plaintiffs tha the life-tenant never became the owner of the 10,00 new shares, never had a life interest in those shares and that therefore they would not have passed on he death, even if the deed of release had never bee executed. It was contended by the respondents tha estate duty was payable, under Section 43 of th Finance Act, 1940, as amended by Section 43 of th Finance Act, 1950, in that an interest limited to ceas on death had been disposed of after becoming a interest in possession.

Held: (1) although the trustees could have renounced the allotment of the new shares, nevertheless until they did so they were the owners in equity of those shares, and the tenant for life became entitled to an equitable interest in the shares at the date when the allotment letter was received by the trustees, namely, August 1st, 1952; (2) that by the deed of release the life-tenant disposed of and determined her limited interest in the shares and, if she had not done so, the shares would have passed on her death under Section 1 of the Finance Act, 1894; (3) that therefore the duty as claimed was payable.

Coats' Trustees v. Lord Advocate

In the Court of Session – July 9th, 1958
(Before the Lord Justice Clerk (Lord Thomson), Lord Patrick, Lord Mackintosh and Lord Blades)

Estate duty – Trust for payment of income equally among three children during truster's lifetime – Afterwards trust fund divisible among children absolutely – Truster survived by all three children – Whether children had interest before truster's death – Whether interest arose or accrued by survivorship – Finance Act, 1894, Sections 1, 2 (1) (d) – Finance Act, 1934, Section 28.

In 1938 the truster settled shares on her three children so that during her lifetime the whole net income of the trust fund was payable to her three children equally. If a child died leaving issue, the latter took equally *per stirpes*; if a child died without leaving issue, his share of income accrued to the surviving children. On the death of the truster the fund was to be divided equally among the children, and there were similar provisions relating to a child dying and leaving issue and a child dying without leaving issue. The truster died in 1956.

The Inland Revenue claimed estate duty, under Section 2 (1) (*d*) of the Finance Act, 1894, on the footing that an interest had been provided by the deceased, and that duty was payable to the extent of

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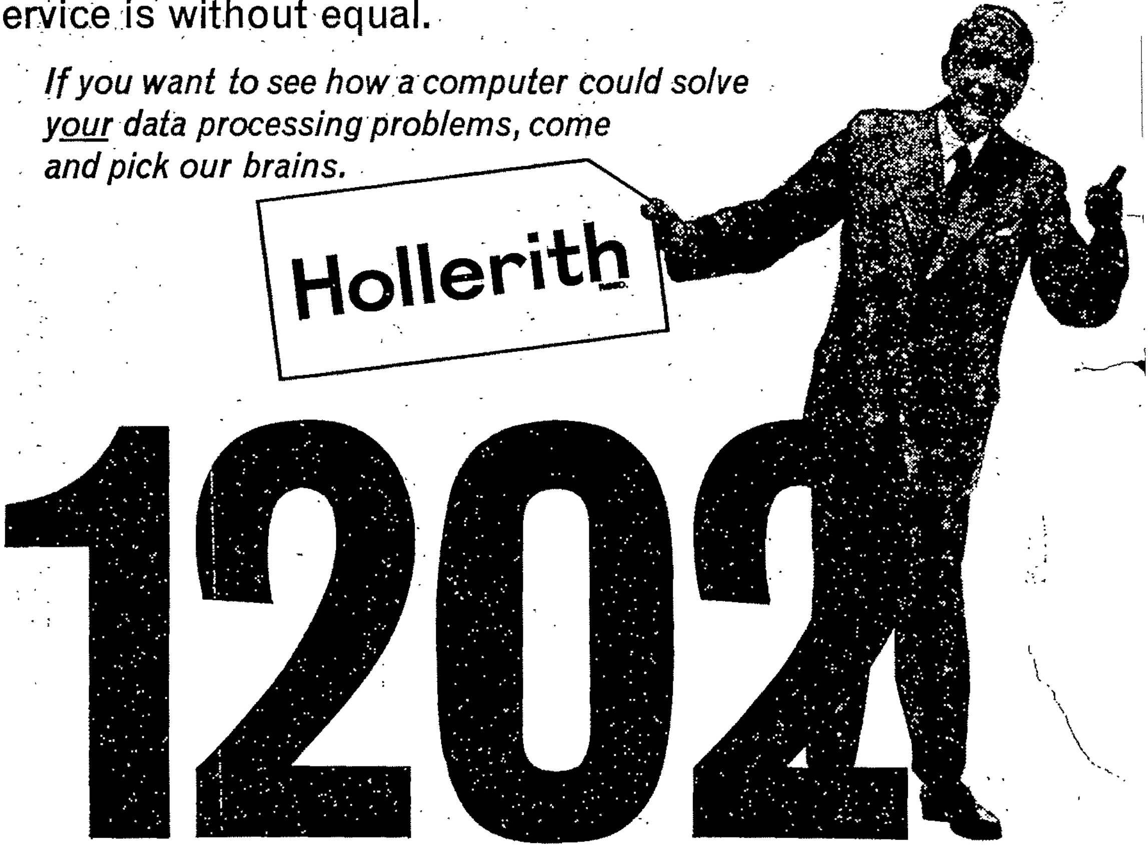

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he beneficial interest accruing or arising by the urvivorship of the three children. It was contended n behalf of the plaintiffs that after the truster's eath each child had a continuing right to one-third f the income just as he had before her death, and hat therefore there was no beneficial interest accruing r arising on her death.

Held, the right of each child to income after the ate of the truster's death was a different right to hat which he had before that event, and that thereore estate duty was payable as claimed.

Evans *v.* Wheatley

In the High Court of Justice (Chancery Division)
July 15th, 1958
(Before Mr Justice Wynn-Parry)

ncome tax – Petrol station – Tie with supplier – Yearly sums in reimbursement of sales promotion xpenses – Whether trading receipts.

The respondent carried on the business of a garage nd of a petrol filling station. In 1954 he entered nto an agreement with the Regent Oil Co Ltd (ROC) whereby ROC undertook to reimburse the espondent for sums expended by him on 'sales romotion, co-operative advertising and dealer display' in connection with the sale of ROC's motor uel at his garage. This liability of ROC's was subject o a maximum payment of £115 in each year and £1,150 over the period of the agreement, which was en years.

The respondent was to advertise ROC's motor uel exclusively; he was to buy from ROC his total equirements of motor fuel; he was not to part with is interest in his premises till ROC had been given first refusal; and if he sold to another person, he was to require that person to enter into a tie agreement with ROC. On a breach of this agreement the espondent was to repay the sums he had received rom ROC. Ten days after the making of the agreement the respondent received from ROC a sum of £575 as an advance payment. The expenditure ncurred by the respondent on sales promotion, dvertising and dealer display was no greater after he making of the agreement than it had been before.

The respondent contended that as his business was now tied to ROC, the character of the business had been changed and the £575 had been received on capital account; and that, as he did not incur any additional expenditure for the purpose mentioned, the £575 must have been for a purpose other than reimbursement. The appellant contended that the annual sums of £115 were contributions towards revenue expenditure and were therefore trading receipts; and, alternatively, that as they were linked by the agreement to gallonage, they were similar to rebates or special discounts on purchases and were trading receipts for that reason. The General Commissioners were not unanimous, and they allowed the appeal.

Held, that, if looked at as a whole, the agreement constituted a firm contract to secure a supply of petrol, and consequently that the payments constituted trading receipts.

Thomson *v.* Moyse

In the High Court of Justice (Chancery Division)
July 22nd, 1958
(Before Mr Justice Wynn-Parry)

Income tax – Foreign securities – Foreign possessions – Payments by trustees to account in bank abroad – Cheques drawn thereon in favour of United Kingdom bank – Sale of dollars to Bank of England – United Kingdom account credited with sterling equivalent – Cheques presented by United Kingdom bank to bank abroad – Whether a remittance – Income Tax Act, 1918, Schedule D, Charging Rule 1 (a) (i), Case IV, Case V.

The respondent was entitled to income from the estates of his father and mother, both of which were situated in the United States of America. The trustees paid sums into an account of the respondent in the Bank of New York. The respondent drew dollar cheques on the Bank of New York in favour of a bank in the United Kingdom, and requested the United Kingdom bank to convert the proceeds into sterling or to purchase the cheque. The United Kingdom bank, as an authorized dealer under the Exchange Control Act, 1947, sold the amount of dollars in the cheques to the Bank of England, and the respondent's account at the English bank was credited with the sterling equivalent. The United Kingdom bank mailed the cheques to the Bank of New York. The latter, on the instructions of the English bank, transferred the amount of dollars to the account of the Bank of England with the Federal Reserve Bank.

The respondent was domiciled in the United States. The administration of his mother's estate was not completed during a part of the relevant period. If the respondent was assessable at all for that part, he was assessable under Case IV in respect of the income from his mother's estate, and under Case V for the remaining part. In respect of income from his father's estate he was assessable, if at all, under Case V.

It was contended by the respondent that the substance of the transactions was that a contract was made in England for the purchase of sterling in the United Kingdom; that it was no part of the contract that dollars were to be brought into the United Kingdom; that there was no evidence that dollars were brought into the United Kingdom; and that if they were, they were brought in as the property of the Bank of England and not as the property of the respondent.

The Special Commissioners decided that the United Kingdom bank acted as a principal and not as an agent; that the transaction constituted a contract for the purchase of sterling to be performed in England; that no dollars representing the income of the respondent were brought into the United Kingdom; and they allowed the appeal.

Held, the decision of the Special Commissioners was correct.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Taxation of Remittances

SIR, – Your report of a question I put to Sir William Carrington at the autumn meeting is unintentionally misleading (October 11th issue, page 444). Mr Talbot had spoken of the effect of the Domicile Bill which, if passed into law, will deprive many foreign residents working in this country for concerns with overseas headquarters of the advantage they at present enjoy of having their earnings taxed on the remittance basis. My intervention was designed to demonstrate that whatever the general merits of the case, the remittance basis itself is a travesty of a taxation system. In order to underline my point I invited Sir William to tell us of twenty-five ways of legally avoiding taxation *on the remittance basis.*

The last four words were omitted from the report and in consequence the purpose of my question was lost.

Yours faithfully,
London, EC2. E. KENNETH WRIGHT

Gross Profit Percentages

SIR, – Nobody has yet replied to 'inquirer' (your issue of September 20th) who wanted to know the average gross profits a retailer might expect on newspapers, tobacco, confectionery, etc., so here they are:

	Per cent
Newspapers	25
Cigarettes	9
Pipe tobacco	7
Confectionery ..	20
Stationery	25

The first and the last are the discounts allowed by the suppliers, but do not take into account the fact that unsold stock in these lines cannot be returned.

The *average* gross profit on all sales varies of course, according to the nature of the business, but proprietors of large chains of retail shops reckon on 15 to 16 per cent.

In your issue of October 18th, 'H. C. W.' asks for the same information, and adds snacks to the products in which he is interested; here the gross profit varies considerably, but a rough and ready rule is to work out the total cost price of all the ingredients of, say, a cheese sandwich, and multiply by four, five, six or indeed any figure up to twelve according to the amenities in order to arrive at the selling price. Thus a sandwich served in a tea garden should be sold for more than one which is eaten by a consumer standin up at a counter, and a sandwich at the bar of th *Ritz* is charged for at a much higher price than i 'Joe's Caff' although the cost of the ingredients the same.

Yours faithfully,
London, EC2. R. A. HADRILL.

Annual General Meetings and Annual Returns

SIR, – With reference to the correspondence whic has been taking place recently regarding the filin of annual returns and accounts, I had occasion t render returns recently where the annual genera meeting in one year had taken place on Decembe 20th and the following year on January 25th. A fourteen days after the first annual general meetin appeared to me to bring the return in respect of tha annual general meeting into the year following, queried this with the Board of Trade, and the ruling, which may be of interest to readers, is a follows:

> 'Only returns made up to a date later than Januar 14th in any calendar year refer to the current yea up to January 14th they refer to the previou calendar year.'

Yours faithfully,
London, EC2. S. W. PENWILL.

A Lament For The Profits

(*With apologies to A. A. Milne.*)

SIR, – The following lines were prompted by th remarks of the President relating to accountant's fees in his opening address at the recent autumn meetin of the Institute.

What is the matter with X. & Co?
The 'honoraries' come and the rich clients go,
And for all the long hours, there's nothing to show
What *is* the matter with X. & Co?

What is the matter with X. & Co?
The expenses are high and the profits are low,
And just look at the way the overheads grow,
What *is* the matter with X. & Co?

What is the matter with X. & Co?
All right on the surface, but what's down below?
Is the work in progress valued too low?
What *is* the matter with X. & Co?

What is the matter with X. & Co?
The Tax Inspector's our common foe,
Does the Chancellor help? Good gracious me, no!
What *is* the matter with X. & Co?

What is the matter with X. & Co?
Are the debits too fast, and the credits too slow?
The commissions we get aren't so terrible, though,
What *is* the matter with X. & Co?

Yours faithfully,
London, WC2. J. R. MORGAN.

AUDITING OVERSEAS SUBSIDIARIES

DUTCH ACCOUNTANTS' YEARDAY CONFERENCE

The forty-first yearday conference of the Netherlands Institute of Accountants was held at Scheveningen on September 27th. The meeting was well attended and delegates from accountancy bodies in the United Kingdom, Denmark, France, Finland and Germany were the guests of the Netherlands Institute. The English Institute was represented by the President, Mr W. L. Barrows, LL.D., F.C.A., and Mrs Barrows, together with the Secretary, Mr Alan S. MacIver, M.C., B.A., and Mrs MacIver; the Scottish Institute by Mr Thomas Lister, M.A., C.A., Vice-President, and Mrs Lister, together with Mr E. H. V. McDougall, Secretary of the Institute, and Mrs McDougall; and The Association of Certified and Corporate Accountants by Lord Latham, J.P., F.A.C.C.A., and Lady Latham.

In his opening address, the President of the Netherlands Institute, Dr A. Th. de Lange, referred to the importance of international co-operation in the practice of the profession and discussed some of the problems in relation to the audit of the accounts of subsidiary companies abroad. He said:

'The economic interdependence of enterprises in various countries, nowadays expressed in increasing measure in the form of financial connections, renders it necessary for the audit of the annual accounts of the parent company to comprise an audit of the subsidiary companies abroad. In a few cases the work involved can be performed by a single firm of accountants with offices in more than one country; but in most cases the audit will involve several firms of accountants, each of which audits the accounts of the company, or subsidiary, established in its own country. The auditor of the parent company will then have to incorporate the results of the audits carried out by the subsidiary companies' auditors in his certificate. In doing so, he may refer to the certificates rendered by his colleagues abroad, or he may himself accept responsibility for the company's figures without any reservation, by dispensing with any reference to the audits carried out abroad.

Comprehensive Audit Certificate

'It will be of great significance in international work – indeed, in international work particularly – if the parent company's accountant is able to accept responsibility for all the figures of the parent company and its subsidiaries, and if he is accordingly able to attach a certificate of approval which makes no reference to the co-operation he has received from his colleagues abroad. Such a procedure has a great advantage, namely, that the public is not troubled by the question as to what significance must be attached to the qualification of the certifying accountant's responsibility as a consequence of his reference to the certificates supplied by the accountants abroad. Acceptance of full responsibility for the accounts of the entire concern by the parent company's accountant means that he will have to satisfy himself as to the adequacy of the audits carried out by the accountants of the subsidiary companies. It is he who will have to decide what minimum audit operations must be performed.

'It is obvious that this form of co-operation can only be applied with good effect if there are no great differences in the ways the profession is practised in the various countries involved. The subsidiary company's accountant will have to remember, however, that his client will probably have to make use of the results of his audit in the national sphere, so that his work will also need to satisfy the demands set in the country in which the subsidiary is established. He will accordingly have to be left free to perform whatever additional work may be necessary.

'The accountant in the Netherlands is confronted with this problem of co-operation in his role as auditor of the annual accounts, now of Dutch parent companies and now of Dutch subsidiaries of foreign concerns. It is his duty, in performing his work, to take proper account of the requirements set in the Netherlands as regards the scope of his certificate approving the accounts. He will have to comply with the wishes of the parent company's accountant abroad in the one case, and make his own wishes known to the accountant of the subsidiary company abroad in the other. This manner of co-operation among accountants makes it possible for each of the concerns involved to employ an accountant's certificate the contents of which are generally known to those taking cognizance of it.

Accountants and the European Common Market

'The setting up of the European Economic Community is not, of course, without significance for international relations in the field of accountancy. Although it will take many years yet before the economic community is fully established, it is desirable to take account now of the difficulties involved by lack of uniformity in professional practice in the European Economic Community countries, especially as regards the principles and techniques of auditing. These display wide divergences in the countries participating and the significance attached to the accountant's certificate also varies. . . . We shall have to begin with a careful study of the way in which the profession is being practised in the countries concerned and with an exchange of ideas with their recognized accountancy organizations.'

The President went on to discuss changes and developments in the profession in the Netherlands, with special reference to the importance of management accounting.

Two Papers Presented

At other sessions of the conference, papers were presented by Dr G. A. Kohnstamm on 'The influence of the European Economic Community on the industrial structure of the Netherlands' and by Mr H. C. Treffers, a member of the Netherlands Institute, on 'The valuation of unquoted shares'.

INDIVIDUAL MEMBERS AND THE INSTITUTE

New Group's Conference at Pendley Manor

Nearly 100 members of the recently formed Beds, Bucks and Herts Group of the London and District Society of Chartered Accountants found their way to Pendley Manor, Tring, on October 13th, for a one-day conference on the theme of 'The relationship of the individual member with the Institute'.

The Chairman of the Group, Mr T. R. Keens, F.C.A., presided at the first session when Mr E. K. Wright, M.A., F.C.A., Chairman of the District Society's Groups' Committee, gave a stimulating address in which he compared the pre-war concept of Moorgate Place and the then limited functions of the Institute with the post-war pattern of refresher courses, the Oxford Summer Courses and the work of the Taxation and Research Committee in which members from all over the country played their part. Mr Wright emphasized that neither the Institute nor the London and District Society could breathe life into the relations of members with one another and with their professional body without members playing their part by working at a local level.

Discussion Groups

The conference then broke up into six discussion groups and the subsequent reports from group leaders showed that Institute publicity, recruitment and training of articled clerks, the formation of local discussion groups, and the economics of the small to medium provincial practice were a few of the subjects on which members held strong views. At the summing-up Mr E. K. Wright was supported by Mr D. V. House, F.C.A., a member of the Council and a Past President of the Institute.

Under the chairmanship of Mr A. C. Simmonds F.C.A., a member of the committee of the district society and liaison officer to the group, the second session was addressed by Mr J. H. Mann, M.B.E., M.A., F.C.A., a member of the Council of the Institute and former chairman of the district society; his subject was 'New recommendations of the Institute with particular emphasis on the treatment of taxation in company accounts'. Mr Mann explained the mechanics o producing these recommendations and showed the important part played by the district societies and branches. With the assistance of Mr L. J. H. Noyes B.SC.(ECON.), A.C.A., Secretary to the Taxation and Research Committee, Mr Mann answered many general and detailed questions.

The Institute and Industrial Members

The final session of the conference, under the chairmanship of Mr J. L. Dickinson, A.C.A., a member of the Group Committee, was addressed by Mr S Dixon, M.A., A.C.A., a member of the Council, who took as his subject 'The problems of the relations of the Institute with its industrial members'. Mr Dixon stressed the point that industrial members were just as much members of the Institute as were those in practice, and that the Council could not carry out its forward programme without a steady stream of information and advice from industrial members in the district societies. The speaker believed that there must be greater contact between the members in industry and practice. Following Mr Dixon's address, the education and training of articled clerks who were destined for industry was discussed by both industrial and practising members.

Among the topics discussed at a general forum, comprising the day's speakers under the chairmanship of Mr J. L. Dickinson, were: the need for further student society branches in the area, the vexed subject of registration of the profession, and developments in the services that the practitioner could give to the smaller industrial units on organization and methods.

Closing the conference, Mr Keen expressed thanks to members of the organizing subcommittees. A vote of thanks to the speakers and chairman was proposed by Mr E. John Frary, A.C.A., group secretary.

LEICESTER CHARTERED ACCOUNTANTS' ANNUAL DINNER

There was an attendance of more than 300 at the annual dinner of the Leicestershire and Northamptonshire Society of Chartered Accountants, held at *The Grand Hotel*, Leicester, on Wednesday, October 15th.

Mr T. L. Plewman, B.A., B.COM., F.C.A., President of the Society, presided, and the guests included Mr W. L. Barrows, LL.D., F.C.A., President of The Institute of Chartered Accountants in England and Wales; the Rt. Hon. the Lord Cromwell, D.S.O., M.C., J.P., Lord-Lieutenant of the County of Leicester; the Rt. Worshipful the Lord Mayor of Leicester, Alderman Sidney Brown, T.D.; the Worshipful the Mayor of Northampton, Councillor V. J. H. Harris, J.P., F.C.A.; and Mr A. P. Marsh, O.B.E., President of the Leicester Law Society.

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', the Lord Mayor of Leicester said that since 1541 those who served as regular officers in the Army were specifically described as professional men; he felt happier, however, when he found that from 1848 onwards the term professional men included all those who belonged to one of the learned or skilled professions, such as the Church, law and medicine, and now, of course, accountancy.

The Lord Mayor said that when a layman went to a professional man for advice he expected to get advice of the highest standard. The layman might let the professional man down, but they did not expect the professional man to let the layman down.

They who were in business, added the Lord Mayor, looked to accountants for advice which was often given to ease, if not fully cure, their difficulties. They did not always get the advice they hoped for. Sometimes they were firmly told that there was no cure at all. But whatever the advice, it was always sound.

An Early Treatise

Replying to the toast Mr Barrows said that he had the happiest memories of members of the Institute in the area which extended over many years and started with the late Mr R. V. Rodwell, with whom he had close association soon after he qualified.

Continuing, Mr Barrows said that he associated Northampton with the early days of accountancy in this country for Richard Dafforne, an accountant and 'teacher of the same', hailed from Northampton. Dafforne wrote a most interesting treatise, first published in 1636, and the title of his work was *The Merchants Mirrour*, or directions for the perfect ordering and keeping of his accounts framed by way of debitor and creditor after the (so termed) Italian manner containing 250 rare questions with their answers in form of a dialogue.

Mr Barrows went on to refer to the value of the Institute's summer course at Oxford and stressed the importance of the younger members of the Institute making a point of going and of obtaining the advantages derived from a few days' stay in the wonderful, historic surroundings of Christ Church and of benefiting from the contacts made with practitioners and those in commerce from all over the country, and a few from overseas. He added:

> 'I, myself, have attended eleven out of the last twelve courses and I am convinced that those who attend become better chartered accountants.'

Support for the Benevolent Association

Mr Barrows also drew the attention of members to the claims of the Chartered Accountants' Benevolent Association, and said:

> 'With the growth of the Institute I feel that our funds ought to be substantially augmented and I do hope that every member present will subscribe and support the charity of his own profession. The day I became President of the Institute I looked up the records regarding my old principal, with whom I had lost touch, and to my astonishment I found that he and his wife were being helped by the Benevolent Association. From my office we were glad to be able to give further assistance to them in their old age.'

The toast of 'The Guests' was proposed by Mr Plewman and the President of the Leicester Law Society responded.

A special tribute was paid to Mr J. H. Golcher, F.C.A., for all his work as honorary dinner secretary.

Notes and Notices

PERSONAL

Messrs J. Nicholson & Co, Chartered Accountants, of 340 High Street, Lincoln, announce that as from October 1st, 1958, Mr J. M. Hunt, A.C.A., and Mr J. A. Laverack, A.C.A., both of whom have been members of their staff for a number of years have been admitted into partnership. The name of the firm will remain unchanged.

Messrs Neild, Son & Lees, Chartered Accountants, of 47 Market Street, Manchester, 1, announce that as from October 1st, 1958, they have taken into partnership Mr K. C. Cook, F.C.A., and Mr I. F. D. Hill, A.C.A., of Cook & Co, Chartered Accountants, Liverpool. They also announce that Mr R. R. Fieldhouse, M.B.E., F.C.A., F.A.L.P.A., who has been associated with the firm for the past thirty years, has retired from practice to take over certain directorships but will be available in a consultative capacity, and that Mr E. P. Cosslett, A.C.A., has also retired from the firm to continue practice under the name of Cosslett & Co. The practice will be carried on by Mr Cook, Mr E. Lockett, A.C.A., and Mr Hill under the style of Neild, Son & Lees, as before, and from the same address.

Mr K. Clifford Cook, F.C.A., announces that he is continuing in practice under the style of Cook & Co, Chartered Accountants, of 87 Lord Street, Liverpool, and 47 Market Street, Manchester, 1, in partner[illegible] with Mr I. F. D. Hill, A.C.A.; Mr G. K. Cook, [illegible], remains available for consultation.

[illegible]essrs Murphy, Bailey & Co, Chartered Accountants, of 5 Norfolk Street, Manchester, 2, announce that as from October 1st, 1958, they have amalgamated with Messrs Fitzpatrick, Graham & Co, Chartered Accountants, of London. Their Manchester, Macclesfield and Chapel-en-le-Frith offices will remain under the direction of Messrs G. W. Murphy, B.A.(COM.), F.C.A., F. A. Bailey, A.C.A., and N. J. B. Smith, A.C.A., and Mr J. Maxwell McGuffie, C.A., has been appointed to assist the partners in the north of England. Mr D. C. Brotherton, B.A., A.C.A., will continue with the firm for some time in order to maintain continuity in the interest of clients, but will eventually retire from the practice.

Messrs Deloitte, Plender, Griffiths, Annan & Co announce that they have admitted Mr H. A. M. Kufal as a partner in their Umtali office and Mr J. P. Wood as a partner in their Lusaka office as from October 1st, 1958. Both Mr Kufal and Mr Wood have been senior members of the staff for some years.

Messrs Deloitte, Plender, Griffiths & Co announce that they have admitted to their Paris partnership, Mr I. D. McDonald, A.C.A., as from October 1st, 1958. Mr McDonald has been a senior member of the Paris office staff for some years.

Messrs Deloitte, Plender, Griffiths & Co announce that they have admitted to their Lima, Peru, partnership, Mr C. C. E. Higginbotham, A.C.A., as from October 1st, 1958. Mr Higginbotham has been a senior member of the Lima office staff for some years.

Messrs Sissons Platt & Co, Chartered Accountants, of Mazda Buildings, Campo Lane, Sheffield, announce with deep regret the death on October 16th of their senior partner Mr Albert Joseph Platt, A.C.A. Mr Platt had been in practice since 1902. The surviving partners, Messrs NORMAN T. KELK, A.C.A., REGINALD COWARD, A.C.A., and JAMES D. SMITH, A.C.A., will continue to practice under the same name.

OBITUARY

Sir Somerled Macdonald, Bt., M.C., B.A., A.C.A.

We have learned with regret of the death last Tuesday of Sir Somerled Macdonald of Sleat, Bt., M.C., B.A., A.C.A., at the age of 40.

Sir Somerled, who succeeded to the chieftainship and baronetcy of Sleat in the Island of Skye in 1951, was educated at Eton and Magdalen College, Oxford. He served with the British Expeditionary Force in France during the Second World War and later in the Middle East where he was severely wounded. He won the M.C. in 1943.

He served his articles with Messrs Price Waterhouse & Co, and was admitted an Associate of the Institute in 1947. He remained as a member of the staff of Price Waterhouse until 1952. His home was at Rudston, Yorkshire, and he was a member of the East Riding County Council and had been a Justice of the Peace since 1953.

PROFESSIONAL NOTES

Mr J. A. B. Keeling, D.F.C., M.A., A.C.A., has been appointed an additional director of the Clyde and Mersey Investment Trust Ltd.

Mr W. R. Tomkinson, T.D., M.A., F.C.A., has been appointed a director of The Ely Brewery Co Ltd.

Mr C. Alan McLintock, C.A., has been appointed a director of The Grange Trust Ltd.

Mr A. B. Macfarlane, C.A., has been appointed a director of the Marine Insurance Co Ltd.

Mr E. E. Walder, A.S.A.A., has been appointed deputy borough treasurer of Derby.

Mr G. A. Gardner, B.SC.(ECON.), A.C.A., joint managing director of Reads Ltd has relinquished his additional office as company secretary and Mr R. V. Nicholl, A.A.C.C.A., F.C.W.A., has been appointed in his place.

Mr R. L. Veitch, C.A., and Mr James W. Malcolm, F.C.W.A., have been co-opted to the board of the Dunfermline Building Society.

CENSUS OF PRODUCTION: ADVISORY COMMITTEE

The President of the Board of Trade has appointed an Advisory Committee to advise on the preparation of forms and instructions, and the making of any orders for the census of production to be taken in 1960 in respect of the year 1959, and for the two subsequent annual censuses.

The committee is under the chairmanship of Mr J. Stafford and among the sixteen members are Mr E. R. Beecher, A.A.C.C.A., chief accountant, John Laing Ltd; Professor F. Sewell Bray, F.C.A., Stamp-Martin Professor of Accounting; Mr R. D. R. Bateman, M.B.E., A.C.A., director and chief accountant, Bass, Ratcliff & Gretton Ltd; and Lieut.-Col. V. I. Robins, O.B.E., A.C.A., secretary, National Union of Manufacturers.

The Secretary of the Committee is Mr V. P. Johnson at the Board of Trade, Census Office, Lime Grove, Eastcote, Ruislip, Middlesex.

SCOTTISH INSTITUTE'S NEW DIRECTORY

The *Official Directory, 1958*, of The Institute of Chartered Accountants of Scotland, now published, shows that membership at July 1st, 1958, numbered 6,450 compared with 6,117 in the previous year. An analysis of this total reveals that there were 3,405 members in Scotland at July 1st of whom 1,035 were 'in practice on their own account or as partners in firms'. Members in the United Kingdom outside Scotland numbered 1,971 (242 in practice as principals or partners), and there were 1,074 members abroad of whom 208 were in practice as principals or partners.

The *Directory* contains the usual alphabetical and topographical lists of members, together with details of the membership of the Council of the Institute and of the Standing and Local Committees for 1958–59.

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

WOLVERHAMPTON AND DISTRICT BRANCH DINNER

The inaugural dinner and dance of the Wolverhampton and District Branch of The Institute of Cost and Works Accountants was held at *The Star and Garter Royal Hotel*, Wolverhampton, on October 3rd. Mr Stanley J. Careless, A.C.A., A.A.C.C.A., F.C.W.A., President of the Branch, presided and with Mrs Careless received a distinguished company of guests, among whom were Mr H. J. Furness, F.C.W.A., President of the Institute, and Mrs Furness, Councillor and Mrs J. C. Homer, the Mayor and Mayoress, of Wolverhampton, and Mr J. Enoch Powell, M.B.E., M.P., and Mrs Powell.

Proposing the toast of 'The Institute of Cost and Works Accountants', Mr Powell described accountancy as the 'queen of policy'. 'There was,' he said, 'a tremendous temptation to advocate plans larger than there was capacity to perform them and a correspondingly strong temptation to thrust accountancy on one side'. 'Governments', he said, 'had a greater power to push accountancy on one side – the power to create paper money.' He suggested that financial troubles of governments and countries were often the consequence of ignoring the principles of accountancy. From time to time governments could and did fly in the face of the facts which it was the business of the accountant to state; 'but,' said Mr Powell, 'you cannot do that for long, as we have found out in this country at intervals of about every two years since 1945.'

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THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

The Affluent Society; by J. K. Galbraith. 1958. (Hamish Hamilton, 21s.)

American Investment in British Manufacturing Industry; by J. H. Dunning. 1958. (George Allen & Unwin, 35s.)

Business Enterprise: its growth and organization; by R. S. Edwards and H. Townsend. 1958. (Macmillan, 60s.)

Capital Taxation in a developing economy (India); by I. S. Gulati. Bombay. 1957.

Corporate Mergers and Acquisitions: basic financial, legal and policy aspects. (American Management Association.) New York. 1958. (A.M.A., 36s.)

Cost Accounting and Control; by C. Gillespie. Englewood Cliffs, N.J. 1957. (Pitman, 55s.)

Imported Timber: Report on whether . . . Recommendation of the Commission has been complied with. (Monopolies Commission.) 1958. (H.M.S.O., 3s 6d.)

Interfirm Comparison for Management; by H. Ingham and L. T. Harrington. 1958. (B.I.M., 17s 6d.)

Knight's Annotated Housing Act; ed. by S. W. Magnus and F. E. Price, F.C.A. 1958. (Charles Knight, 50s.)

The Law and Practice of Income Tax; by Sir J. B. Kanga and N. A. Palkhivala. Fourth edition. 2 vols. Bombay. 1958. (Tripathi, 95s.)

The Long View and the Short; by J. Viner. Glencoe, Illinois. 1958. (Free Press, 42s.)

Proceedings of the seventh international congress of accountants 1957. (Seventh International Congress of Accountants.) Amsterdam. 1957. (7th I.C. of A., 42s.)

The Rent Act, 1957; by S. W. Magnus and R. A. Bennett. 1957. Supplement, 1958. (Butterworth, 32s 6d, 6s 6d.)

Sampling Techniques in Accounting; by R. M. Trueblood and R. M. Cyert. Englewood Cliffs, N.J. 1957. (Prentice-Hall, 76s.)

The Solicitor's Guide to Development and Planning; by R. N. D. Hamilton. Second edition. 1955. Supplement, 1958. (Solicitors' Law Stationery Society. 22s 6d, 3s 6d.)

Tax Planning for the Solicitor: a paper; by G. S. A. Wheatcroft and P. M. Christopherson. 1958. (Solicitors' Law Stationery Society. 2s 6d.)

CHARTERED SURVEYORS' GOLD MEDAL COMPETITION

'The costs of building' is one of the four subjects on which papers are invited by The Royal Institution of Chartered Surveyors for their 1959 gold medal and prize of 100 guineas. The detailed description of this subject, which is of particular interest to the accountancy profession, is 'progress in cost research and cost planning and their effect on efficiency of building'.

The winning paper will be that which, in the opinion of an independent adjudicating committee, shows original thought and makes the best contribution to the advancement of knowledge; the paper must be suitable for presentation at a session of the Chartered Surveyors' 1959 annual conference.

Entries may be submitted by any person ordinarily resident within a country of the British Commonwealth or in the Republic of Ireland and must be sent not later than April 30th, 1959, to the Secretary, The Royal Institution of Chartered Surveyors, 12 Great George Street, Parliament Square, London, SW1, from whom entry forms and the rules of the competition may be obtained.

INSTITUTE OF INTERNAL AUDITORS

Audit Assistants' Course

The London Chapter of the Institute of Internal Auditors is holding a course on internal auditing for members' assistants during October and November. The course will comprise a series of five discussion meetings, details of which are as follows:

October 27th: 'Problems of stock control', by Mr R. F. Blackmur, A.C.A.

November 3rd: 'Statistical sampling', by Mr B. J. Cooper, B.SC.(ECON.).

November 10th: 'The purpose and significance of internal audit', by Mr J. O. Davies, F.C.A., A.C.W.A.

November 17th: 'Integrated electronic data processing', by Mr L. A. Hill, A.A.C.C.A.

November 24th: 'Any questions'. Panel: Mr G. W. Moyse, A.C.A., Mr R. G. Nicholson, C.A., Mr P. H. A. Nutt, A.C.A., Mr D. Taylor.

December 1st: (Afternoon meeting) 'Hollerith 555 in action'. Visit to a large organization.

Further information regarding the course and the Chapter may be obtained from the Chapter Secretary, Mr R. P. Tester, C.A., Unilever Ltd, Unilever House, Blackfriars, London, EC4.

REVENUE PAPER

Michaelmas Sittings, 1958

HIGH COURT

The following cases are down for hearing in the High Court:

B. Housden (Inspector of Taxes) *v.* Bryan Marshall.

F. G. Burrell, W. G. Webber, S. R. Magness, Lieut.-Col. W. J. Austin and Col. J. Austin *v.* R. F. G. Davis (Inspector of Taxes).

H. W. Bradbury (Inspector of Taxes) *v.* United Glass Bottle Manufacturers Ltd.

Carpet Agencies Ltd *v.* C.I.R.

S. McClelland (Inspector of Taxes) *v.* Clarke, Doble & Brendon Ltd.

C.I.R. *v.* Clarke, Doble & Brendon Ltd.

S. McClelland (Inspector of Taxes) *v.* Latimer, Trend & Co Ltd.

C.I.R. *v.* Latimer, Trend & Co Ltd.

Bowater Sales Co Ltd *v.* C.I.R.

Imperial Chemical Industries Ltd *v.* J. E. Caro (Inspector of Taxes).

Holmleigh (Holdings) Ltd *v.* C.I.R.

The Metropolitan Boot Co Ltd *v.* C.I.R.

The Hale (Holdings) Ltd *v.* C.I.R.

Henry Rupert Hood Barrs *v.* C.I.R.

Albert C. Hugh *v.* R. H. E. Rogers (Inspector of Taxes).

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OXFORD CHARTERED ACCOUNTANTS' GROUP

The inaugural dinner of the Oxford Chartered Accountants' Group was held at University College on October 8th, attended by fifty members and two guests.

Mr R. Langdon-Davies, D.F.C., F.C.A., the chairman, in welcoming the guests, said how gratifying it had been, out of a comparatively small potential membership in the area, to have had so good a response both for membership of the group and for attendance at the dinner.

Mr G. F. Ansell, F.C.A., the London and District Society's representative on the Oxford Group Committee, addressed members on the group's place within the district society's organization, and Mr T. A. Hamilton Baynes, M.A., F.C.A., a member of the Council of the Institute, spoke on the work of the Council.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

Next Week's Meetings

The following meetings of the London Students' Society will be held during next week:

Monday, 5.30 p.m., at Caxton Hall: Lecture on 'Promoting a Bill in Parliament', by Mr T. G. Seager Berry.

Tuesday, 5.30 p.m., at the Institute: Practice debate on the motion 'Angry young men are essential members of society'.

Wednesday: Demonstration of Hollerith Accounting Machines (limited number).

Thursday, at Chelmsford: Whole-day course on difficulties in studies, by Mr V. S. Hockley, B.COM., C.A.

5.15 p.m., at Incorporated Accountants' Hall: Introductory course lecture, 'The nature of the items in final accounts', by Mr F. R. Porter, F.C.A., A.C.W.A.

Friday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lectures: (1) 'The taxation system', by Mr F. R. Porter, F.C.A., A.C.W.A.; (2) 'The ownership and control of a business', by Mr P. W. Medd, Barrister-at-Law.

CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The autumn meeting of the Chartered Accountants' Golfing Society was held at North Hants Golf Club, Fleet, on Thursday, September 25th. Forty-five members took out cards. The results were as follows:

SINGLES

J. T. Isherwood (13)	..	26+11⅜=37⅜	Wins first prize
J. V. Wilson (8)..	..	25+ 7 =32	Wins 2nd prize
D. H. R. Holland (2)	..	30+ 1¾=31¾	Scratch prize
A. W. Coleman (14)	..	19+12¼=31¼	
D. W. Gibson (8)	..	24+ 7 =31	
W. B. Henderson (5)	..	26+ 4⅜=30⅜	
G. L. Wiener (16)	..	16+14 =30	

FOURSOMES

S. B. Pendock (7) and I. S. Johnson (8)	31 points	Win first prize
T. W. A. R. Auker (6) and C. A. Chapman (20)	30 ,,	Win 2nd prize
E. E. W. Mullett (10) and J. V. Wilson (7)	28 ,,	
W. J. Bowness (15) and A. J. Barsham (16)	26 ,,	
E. K. Govett (7) and R. A. Daniel (10)	25 ,,	
J. O. R. Darby (8) and G. L. Wiener (16)	25 ,,	

TURQUAND-YOUNG CHALLENGE CUP

Best aggregate of summer meeting at Berkhamsted and autumn meeting at Fleet.

Winner: J. T. Isherwood (13)	.. ..	35⅜+37⅜=72¾
Runner-up: J. V. Wilson (8)	.. ..	34+32=66

SINGLES TOURNAMENT

D. J. Hedges (6) beat S. Pleydell-Bouverie (18) by 4 and 3 over 36 holes in the final round.

PORTSMOUTH AND DISTRICT CHARTERED ACCOUNTANTS' STUDENTS' SOCIETY

At a recent meeting of the Portsmouth and District Chartered Accountants' Students' Society, Mr I. M. Chinnery was elected honorary secretary of the Society and Mr F. Harfield was elected honorary assistant secretary and treasurer. Members of the Society are asked to note that all correspondence should be sent to Mr Chinnery care of Messrs Edmonds & Co, Chartered Accountants, Pearl Buildings, Commercial Road, Portsmouth.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The secretary of the Accountants' Christian Fellowship informs us that the arrangements in connection with the Federation of London Christian Unions' campaign which had to be left open in the 1958–59 printed programme, have now been completed.

The preparation meetings will be held on October 29th and November 12th at 6 p.m. at the Bloomsbury Central Baptist Church, Shaftesbury Avenue, London, WC2.

ANNOTATED TAX CASES

Part 3 of Volume XXXVII of the *Annotated Tax Cases*, edited by Mr Roy Borneman, Q.C., is published today and contains reports, with notes on the judgments, of the following cases: *Bloom v. Kinder* (Ch.D.); *Parway Estates Ltd v. C.I.R.* (C.A.); *Hinton v. Maden & Ireland* (Ch.D.); *Westminster Bank Ltd (McCurdy's Trustee) v. Barford* (Ch.D.); *Sabine v. Lookers Ltd* (Ch.D.); *Wright v. Boyce* (Ch.D.); *Lamport & Holt Line Ltd v. Langwell* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 30*s*, post free; the publishers are Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

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Comparing Interfirm Costs

THE benefits which may be derived by management from interfirm comparisons were fully considered in a leading article in these columns last week. Now, as a timely instance of example following precept, the Furniture Development Council has issued a statement this week-end on the comparative costs scheme which it sponsors and which has been in existence for five years. The participating firms represent about 10 per cent of the turnover of the industry and the Council emphasizes that the statistics compiled cannot be regarded as representative of the trade as a whole mainly because the larger (and possibly expanding) concerns are overweighted in the sample and the small and medium-sized units correspondingly underweighted. To combat this, the Council this year introduced a secondary scheme (known as the 'B' scheme) to encourage those manufacturers who felt that, for one reason or another, they were unable to tackle the more formidable questionnaire required for the comprehensive scheme, to take a greater interest in this rewarding exercise in comparative profitability.

Despite these present limitations, with the support given to it during its initial five years, the scheme has fully justified itself and many manufacturers have saved the cost of participating in it 'dozens of times over'. The report sent to each firm gives detailed information, under a range of sub-headings, about materials, productive labour, manufacturing, distribution, selling and administration overheads and a series of business ratios. It is claimed that with this battery of information at his command, each participant in the scheme can see, item by item and month by month, how his costs compare with those of other similar businesses.

From an examination of some miscellaneous ratios released by the Council, based on yearly results, it seems evident that in certain aspects the furniture trade is becoming more efficient. Manufacturing costs (expressed as a percentage of net sales) have fallen from 81·9 in 1956 to 78·8 in 1958 and the value added per direct employee has risen over the same period from £1,250 to £1,499. It is noted, too, that material costs, also expressed as a percentage of sales, are steadily declining. On the same basis, however, selling, distribution and administration costs continue to rise and, indeed, this trend has cancelled out any saving in material and manufacturing costs effected over the period. This in itself would seem to be an irrefutable argument for the more extensive use of the Council's scheme so that the progress of a combined onslaught on overheads, made by as large a section of the industry as could be enlisted, might be the more accurately recorded.

Tax-free Dollar Income

by A BARRISTER-AT-LAW

THE decision of Wynn-Parry, J., in the recent case of *Thomson v. Moyse* ([1958] 3 All E.R. 225) will be of much interest to those whose province it is to give taxation advice to persons having foreign or dominion sources of income assessable to tax on the remittance basis; for the decision shows that dollars sold to a bank or other authorized dealer under the Exchange Control Act, 1947, as principals, and not collected by the bank or dealer, as agents, are not 'remitted' to this country so as to be chargeable to tax.

British subjects, wherever domiciled, who are resident or ordinarily resident in the United Kingdom are chargeable to income tax in respect of their income from all sources, whether in the United Kingdom or elsewhere, subject to the usual statutory allowances.

'Remittance' and 'Arising' Bases

It is primarily in connection with liability under Schedule D that questions of residence and domicile are of importance, since the basis of assessment under Cases IV and V in respect of income from foreign and dominion sources will depend on the residence and domicile of the taxpayer. Where the taxpayer is a British subject who is resident but not ordinarily resident in the United Kingdom, or being ordinarily resident is not domiciled in the United Kingdom, foreign and dominion income will be assessable on the basis of the amounts remitted to the United Kingdom in the year preceding the year of assessment (Section 132 (2) (*a*), (3) of the Income Tax Act, 1952).

In the case of British subjects domiciled and ordinarily resident in the United Kingdom, income derived from foreign and dominion securities, stocks, shares, rents, and other possessions, is assessable on the basis of the net amounts arising in the year preceding the year of assessment (Section 132 (1)). The remittance basis is, however, applicable in such cases to income derived from foreign trades, professions and pensions (Section 132 (2) (*b*) (*c*), (3)).

Facts in the *Moyse* Case

In the case of *Thomson v. Moyse*, the taxpayer, a British subject resident in the United Kingdom but domiciled in the United States of America, was entitled to income from the estate of his mother (which during part of the relevant period was in course of administration) and from the estate of his father. Both estates were in America, and the income from them was credited to the taxpayer's account at the Bank of New York. He drew cheques in dollars on that bank in favour of one or other of two English banks, and when forwarding the cheques to the English banks asked them to purchase the cheques and to credit his account with the proceeds in sterling. He did this, knowing of an old-established practice in the City of London whereby a banker might be willing to purchase outright cheques in foreign currencies, provided he knew the customer and was satisfied as to his integrity, even without knowing the state of the customer's account at the foreign bank. Otherwise a bank would follow the normal method of collecting the money from the foreign bank, as agent, and crediting the customer's account in due course.

Purchase of Cheques

The English banks purchased the cheques, as requested, and sold them either to the Bank of England or to a customer with a permit to purchase dollars from the Bank of England. The same day they credited the taxpayer's account with the sterling equivalent after deduction of commission and other charges. The procedure that followed was that the banks sent daily by registered post to their correspondents in New York, all New York cheques acquired by them, with instructions to the correspondents to clear the cheques in New York, credit their account in New York with the proceeds, and pay out of their account so many dollars as had been sold to the Bank of England for the credit of the Bank of England's account with the Federal Reserve Bank in New York.

Bankers Acted as Principals

The taxpayer was assessed to income tax un Case IV in respect of income from securiti the United States of America (attributable to estate of his mother during the period of adminis ration) and under Case V in respect of incon from possessions in that country (attributable to the estate of his mother after the period of administration, and to the estate of his father).

The Special Commissioners found that the taxpayer gave no instructions to his New York bank to remit sums of money to him in the United Kingdom, and that, in dealing with the cheques which the taxpayer asked them to purchase, neither bank was acting as a collecting agent on the taxpayer's behalf but in every case acted as principal. On appeal by the Crown, the respondent contended that in each case the source of the sterling credited to his account with the English banks was a contract for the purchase of sterling made in England and to be performed in England, and that it was no part of the contract that dollars were to be brought into England. Furthermore, there was no evidence that dollars were brought into England, but if they were, they were brought in not as the property of the respondent but as the property of the Bank of England.

Dollars not 'Brought in'

A fluctuation in the rate of exchange between the giving of a dollar cheque to the taxpayer's English bankers and the date of its being cleared in New York would not produce a sum in sterling equivalent to the sum which had been paid by the English bankers on taking over the cheque. This, said the learned judge, emphasized and supported the view of the Special Commissioners that, however the transaction was regarded, the English bankers acted as principals and not as [illegible] dingly, he held (i) that the taxpayer's [illegible] ns with the English banks were *contracts* [illegible] chase of sterling made in England [illegible] rformed in England, and the proceeds [illegible] e not income or were not income from securities out of the United King-[illegible], and therefore were not taxable under Case IV of Schedule D; and (ii) that as no dollars were brought into the United Kingdom as a result of the transactions, or, if dollars were brought in, they were brought in by the Bank of England and not by the taxpayer, there was nothing that was taxable under Case V of Schedule D as the taxpayer's income arising from foreign possessions.

Income from Foreign Securities

In deciding the issue under Case IV his lordship applied *Paget v. C.I.R.* (17 A.T.C. 1; 21 T.C. 677). In that case Miss Paget held certain foreign government bonds in respect of the interest on which the debtor governments had partially defaulted. In the case of one of the bonds the Hungarian Government directed that the interest on the bonds should not be paid direct to creditors but that its equivalent in pengos should be deposited with the Hungarian National Bank and placed in a foreign creditors' fund, out of which bondholders might obtain payment of interest coupons in pengos, but only for use for certain purposes in Hungary. In the other case, the Kingdom of Jugoslavia offered to meet certain coupons either by payment in 'blocked' dinars in Belgrade or by payment of 10 per cent of their face value in dollars and by the issue of funding bonds for the balance.

Miss Paget did not accept either scheme but sold the coupons, after they had fallen due, through agents or coupon dealers in London who deducted income tax on payment to her of the proceeds of such sales. She was assessed to surtax on the ground (*inter alia*) that the purchase price of the coupons was 'income arising from securities out of the United Kingdom'.

In the Court of Appeal, Sir Wilfrid Greene, M.R., said:

> 'The purchase price received by Miss Paget was not income arising from the bonds at all. It arose from contracts of sale and purchase whereby Miss Paget sold whatever right she had to receive such income in the future, as well as her right to take what was offered by the defaulting debtors. It is, in my opinion, quite impossible to treat this as equivalent in any sense to "income arising from" the bonds.'

Foreign Possessions

So far as Case V was concerned, Wynn-Parry, J., said the transactions in *Moyse's* case fell within the decision in *Carter v. Sharon* (15 A.T.C. 122; 20 T.C. 229) which makes it plain that in the case of income from foreign possessions it must be shown either that the taxpayer received it in this country or that he was entitled to it at the time it arrived in this country, while the word 'remittances' clearly refers to money remitted into the United Kingdom *from outside* (per Viscount Cave, L.C., in *Pickles v. Foulsham* (4 A.T.C. 133; 9 T.C. 261)).

The practical importance of the new decision lies in the distinction between the sale of a dollar cheque to a bank or other authorized dealer as principal, and the mere collection of the money from the foreign bank of the drawer, as agent. As there are very many persons who are either not ordinarily resident or not domiciled in this country there will doubtless be many who will seek to take advantage of the decision. In this connection it may be worth pointing out that the Domicile Bill now before the House of Lords provides that as a general rule a person's domicile is in the country in which he has his home and intends to live permanently (thus displacing the common law rules as to domicile of origin). As yet there is no indication how many persons will be affected by the Bill when it becomes law.

Statistical Sampling in Accountancy – II

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The Concept of Error

A FREQUENT objection to formal acceptance sampling schemes is that they call for unique classification of an accounting item as faulty or not faulty. Here, the accountant and the statistician often come into conflict. This probably arises from failure of communication rather than from the inapplicability of sampling techniques. The specification and definition of an 'error' or fault is an accounting function. But an accounting document is subject to many different kinds of error, some much more serious than others. A simple classification of records into two groups, those with and those without error, obscures this fact; a scheme involving such a classification would presumably treat a price error causing a loss of, say £50, as no more important than a slight specification error. Test-checking must take into account not only the frequency, but also the seriousness of errors. Statistically, this means that different tolerances exist for different types of error. For instance a professional auditor, if he can be persuaded to give a definite figure at all, may be willing to accept records with as many as, say, 4 per cent errors in store specification, but no more than 1 per cent for errors in price; an internal auditor, who may also be concerned with cost allocation, might be unwilling to accept the 4 per cent figure for store specification. The same error may also have different significance according to the basic purpose of checking. For instance, a common error is the transposition of numbers, e.g. 81 for 18. If the aim of a sample audit is purely estimation of balances, it makes a considerable difference whether this transposition is in the '000's column or in the final digits. In the latter case it is not serious. If the aim is to assess the quality of the control system, the location makes no difference to the significance of the fault. The important fact is that the system failed to discover it.

While the existence of these difficulties militates against a single *faulty – not faulty* classification, this is not a sound reason for rejection of scientific sampling procedures. Rather is it a reason for detailed study of the nature, importance and frequency of errors. Some account of error differences is taken in separating low-value from high-value items, but this is only a part solution. A possible way out is to attach to different errors a weight according to their seriousness and to base the measure of quality on the weighted errors. Such a solution has already been attempted in the U.S.A. Unfortunately, it requires the development of new formulas and tables to make it work, and accountants themselves disagree about the weighting system.

Another, and possibly a better solution, since it would permit use of standard schemes, is to classify types of error according to their importance, to fix acceptable and unacceptable qualities for each class, and to make these qualities a kind of obstacle course which a [illegible] documents must cross in order to be ac[illegible] In a sense, this would be treating eac[illegible] error as if it were a different dime[illegible] accounting document would then be [illegible] checking purposes, like an industria[illegible] which should possess several properties [illegible] it can be regarded as satisfactory.

The Consequences of Rejection

In standard acceptance sampling, the principle of 100 per cent inspection of rejected batches, and rectification or replacement of defective items, is usually an integral part of the system; it enables the statistician, given the technical requirements, to choose that scheme which will meet the requirements with the smallest *average* amount of inspection.

In accountancy, rectification may not be feasible; for instance, where the selling price on an outgoing invoice is understated and the invoice has already been dispatched, a firm will often accept responsibility for the error as a matter of policy. The appropriate consequence of a rejected sample may be, not 100 per cent inspection, but a close analysis of the sources of error to discover whether a particular clerk, machine or department, is responsible for most of the errors. In the example quoted above, detailed analysis showed that the bulk of the errors were made by only one or two of a large number of suppliers. The most suitable course of action would then appear to be to separate invoices from the less reliable sources and to subject these to 100 per cent inspection.

The consequences of rejection of a batch because of a bad sample depend largely on the source. The auditor can exert a high degree of pressure on an internal source, but only an indirect, and possibly very slight, degree over an external source. Where documents originate internally, it is probable that the correct approach is not that of acceptance sampling but of quality control; the main aim of sampling should be to detect removable flaws in the accounting system rather than to ensure that a low proportion of faulty documents pass into the record of transactions. The latter would normally be secured by the former.

Where documents originate externally, the purpose of sampling is much closer to that of statistical acceptance procedures; it is aimed at ensuring that invoices or other documents which pass into the records should be of sufficiently high standard to enable the accounting staff to obtain reliable information for their own purposes. It also presents a practical and psychological barrier to fraud.

Estimation

Sampling is often a useful labour-saving device for determining aggregate values or average costs. Its object is to provide estimates of, say, the total value of stocks or of items in a balance sheet, or of the average cost of repairs or maintenance, in situations in which an approximate answer is sufficient for the accountant's purpose, or a full examination of documents is uneconomic. The reliability of such estimates depends partly on the variability of the population of documents or entries from which the sample is taken, and partly on the size of the sample. Individual documents must necessarily be chosen by random selection or, at least, by an equivalent of random selection.

Estimation is often only a secondary purpose of sampling, particularly in auditing. The primary purpose of a sample audit is usually to test an accounting system rather than to estimate balances. If the system is reliable, then the summary of transactions recorded in the balance sheet will be acceptable. Estimation of the total value of a particular item is simply an additional check, useful because it can provide some reassurance about the unexamined part of the records.[1]

The major problem in estimation is to be found in the nature of accounting data, as illustrated by the following example.

The Valuation of Stocks

Let us consider the case of the Alpha Beta Company Ltd.[2] Its assets amount to about £5 million, of which £4½ million or 90 per cent is held in the form of plant and equipment or of part-finished or completed assemblies of high value, while the remaining £500,000 or 10 per cent is in the form of low-value components. The low-value components, because of their variety and numbers, call for a much greater effort in the annual stocktaking than do the more valuable items. For instance, in one year it was calculated that only about 20 per cent of the total effort was needed for the high-value items, while the remaining 80 per cent was expended on a complete evaluation of the small components. Furthermore, because there were over 60,000 components, stored in quantities from 1 to more than 2,000, the effort was spread throughout most of the year, mostly in overtime. In such circumstances, there is considerable pressure on the staff involved, and it is doubtful whether the final valuation is very accurate. The relative speed with which sample estimates can be obtained, the consequent reduction in total man-hours and the substitution of a measurable (and, to some extent, controllable) sampling error for the unknown accounting error in a complete valuation[3] make a strong case for valuation by means of a sample.

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[1] A single substantial erroneous or fraudulent entry may quite possibly remain undetected either by the accounting system or by a sample check of individual entries or documents, but reveal itself in a large discrepancy between the estimated and recorded values of a given item in the balance sheet.

[2] This is a composite example, combining the important relevant features of two real cases.

[3] The high pressure on accounting staff in a complete evaluation may lead to considerable errors in the valuation of individual stocks. Reduction of pressure attributable to sampling leads to more accurate accounting work, thus largely eliminating non-sampling error.

The Sampling Method

The methods used in carrying out the sample valuation were largely determined by the firm's inventory and accounting system. The sampling plan was fairly simple. Components are stored on shelves, or 'bins', labelled with a bin number which can be located easily. To each bin number corresponds a record sheet, giving the part number, quantities and various other details, but not unit value. The sheets are kept in a series of ledgers. When a component runs out, or becomes obsolete, the shelf space is used for other components, but the record sheet retains its bin number and place in the ledger, and is usually referred to as an 'empty bin'.

The usual method of valuing stock is to check the number of parts in a bin, obtain an estimate of the current labour and material value of the part, and hence find the value of the bin; total value is then the aggregate of bin values. Thus, for sampling purposes, the bin was the natural sampling unit, and the ledgers provided a suitable and easily accessible sampling frame.[1] The method of selection chosen was systematic sampling, i.e. a clerk went through the ledgers, choosing every *n*th sheet (or bin) for valuation. The arrangement of sheets in the ledgers provided the element of randomization. It was relatively easy to set aside parts of unit value £5 and over for complete valuation, and hence the sample was aimed at assessing the total value of parts of unit value below £5. The possibility of securing greater homogeneity among the sampling units by omitting bins containing excessively large numbers of parts was also considered. This proved to be administratively impractical without undertaking most of the work it was desired to avoid.

The sampling plan, therefore, was to take a systematic sample of sheets (or bins) relating to components under £5 in unit value. An estimate of the aggregate value of these stocks was obtained by multiplying the aggregate value of the sample bins by the reciprocal of the sampling fraction. The reliability of the estimate could then be assessed by calculating the sampling error as a function of the variability between bin values. It is in respect of this assessment that the special properties of accounting data have to be considered. Accounting values tend to display extreme skewness, as an examination of Tables I and III will show.

TABLE III

Distributions of bin values in samples from a large inventory

	(a) Labour		*(b) Material*	
Range	A	B	A	B
Under £1	606	608	636	621
1 – 2	110	115	91	94
2 – 4	77	79	56	77
4 – 8	47	50	54	37
8 – 16	31	22	35	30
16 – 32	13	8	10	20
32 – 64	3	3	5	6
64 – 128	1	3	1	1
128 – 256	—	—	—	2
Total	888	888	888	888

Consequently the mean value per bin, on which estimates of total value are based, is subject to considerable variation from sample to sample. If there are, say, thirty bins valued at £100–£150, and thirty at £200–£250 in a population of 60,000 bins, distributed as shown in Table III, the choice of a bin in one of these groups rather than the other could make a considerable difference to the mean value per bin in a sample of 500; but in a sample of that size the chances are that only one of these sixty would be chosen.

Formulae for sampling errors do not inspire very great confidence in accountants; in the present case, therefore, a preliminary experiment was carried out. A set of punched cards was available on which were recorded the results of a previous 100 per cent stocktaking for a relatively small number (9,000) of bins. A number of random samples[2] of various sizes were taken and the results compared with the known total value. Some of these are shown in Table IV.

TABLE IV

A comparison of random sampling results v. 100 per cent results. (No limitation on unit values)

Actual value 9,000 bins £17,019

	Total	Variation from Actual	
	£	£	%
1. *Estimates from Samples of 900*			
Sample A	20,129	3,110	+18·0
B	16,503	616	− 3·6
C	12,675	4,344	−25·0
D	20,349	3,330	+19·0
E	15,723	1,296	− 7·5
F	13,558	3,461	−20·0
2. *Estimates from Samples of 3,000*			
Sample A	16,725	284	− 1·7
B	16,761	258	− 1·5
C	17,261	242	+ 1·4

The important feature of these results is the relatively high degree of instability in the estimates from samples of 900, a size which in many applications would be regarded as fairly large. The estimates from samples of 3,000 are remarkably close to each other and to the true value. The extreme skewness characteristic of accounting values appears to make it necessary to take very large samples in order to obtain acceptable estimates. Alternatively it may be possible to classify bins by unit values *and* quantities in such a way that stratification may provide equally reliable estimates from smaller samples. If sampling were to be adopted for future valuation of low-value stocks, it would probably be worth while to adapt the system of record keeping for this purpose.

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[1] A frame, in statistical terminology, refers to a list, a set of numbers, or of files, or other entity which specifies completely and unambiguously the population to be sampled.

[2] The samples were taken in such a way as to make the sampling fraction irrelevant to sampling error.

The Results

The final estimate of the aggregate value of low-value stocks for the Alpha Beta Company was provided by a sample of 2,641 bins taken as three systematic sub-samples. The figures in Table III are from two of these. Since labour and material values were largely independent, separate estimates of total labour and material values were used to increase the chances of errors off-setting each other. The result, in statistical terms, was an estimate whose 95 per cent confidence limits were within about 5 per cent of the total value and whose 99 per cent limits were within 10 per cent of the total. In plain English, the odds against the sample result differing from the true value by more than 5 per cent (10 per cent) were about 1 in 20 (1 in 100), and against over-estimating it by more than 5 per cent (10 [illegible] cent) were about 1 in 40 (1 in 200). The estimate was very close to the accountant's control figure.

Some Final Remarks

It is important to distinguish clearly between the functions of the accountant and statistician. Since the former takes the ultimate responsibility, the role of the latter is largely advisory and is primarily concerned with the number and selection of items for observation.

They must, however, know enough of each others objectives, vocabulary and techniques to be able to discuss problems intelligently. The statistician, perhaps, has more responsibility in this direction than the accountant. For the latter, it is sufficient to have a general appreciation of, and confidence in, the principles and methods of sampling. The statistician must not only have a general idea of accounting aims and methods, but must also be prepared to study thoroughly every problem brought to him as a new, individual sampling problem.

The professional auditor may sometimes have a special role. Where sampling is used internally as a labour-saving device, as in the stock valuation example, he has to some extent a double responsibility. His primary function is to ensure that the *accounting* procedures of valuation are carried out in a satisfactory manner, so that if 100 per cent valuation were made in the same manner, he would be assured of the truth of the final statement of value. He must also assume a supervisory role over *sampling* procedures, and assist in decisions about the degree of precision needed for the sample estimates to be accepted. When important aggregates are to be estimate by samples, the professional auditor must therefore be consulted at a very early stage in planning. The question of whether he tests the accounting procedures by taking a sub-sample of the sample or by checking all the work of the main sample is a different statistical problem. It is not an independent problem, however, since, if it is decided to take a sub-sample of the sample, both sets of probabilities (i.e. the probability of error in the initial estimates, and the probability of finding faults through the sub-sample) must be taken into account in setting standards of acceptability at the planning stage.

In conclusion, it is appropriate to comment on some wider issues involved in the application of statistical sampling techniques to accountancy. The case for the use of acceptance sampling procedures rests on the simple fact that at present accountants do not have any generally accepted and soundly based procedures for determining the amount of inspection to undertake in auditing. With regard to sample estimation, especially in cases like stock valuation, the issues are rather more complex. An error of, say, £20,000 in the valuation of assets may mean an error of this magnitude in a profit estimate, and this may involve legal and financial consequences of some importance. But it is evidently uneconomic to incur an extra expenditure of, say, £15,000 to avoid the possibility of an error of this magnitude, particularly if, as usually happens, pressure on resources in a complete valuation would tend to cause a substantial increase in non-sampling error.

If accountants are to take advantage of modern sampling methods in their work, therefore, there seem to be strong grounds for the establishment of professional standards. Samples provide evidence about accounting systems and documents. It follows that to be acceptable such evidence should meet specific requirements, based on the objectives of accounting and the principles of sampling.

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The Progress of Tax Reform – II

by SIR WILLIAM CARRINGTON, F.C.A.

IX. SURTAX

General

AT present, a bachelor begins to pay surtax as soon as his income, earned or unearned, exceeds £2,000. It is interesting to recall that when surtax was first introduced (under the name of super-tax) it was confined to persons having incomes in excess of £5,000. At that time the standard rate of income tax was only 1*s* 2*d*, and a pound was worth several of the pounds of today. Even in 1920, when the exemption limit was first brought down to £2,000, the pound was worth a good deal more than it is now. In those days, £2,000 represented a really considerable income; today it is comparatively little. The case for increasing the exemption limit is really unanswerable.

The decision last year to add certain of the personal allowances to the exemption limit was a welcome one, but it does not go far enough to be classed as reform. In particular, the earned income relief ought to be added as an incentive to management and the professions.

Company Surtax

One of the hazards hanging over practically every prosperous company which has no quotation on the stock exchange is the possibility of a surtax direction, under which its profits are apportioned among the shareholders and charged to surtax accordingly. When this power was first created in 1922, the avowed object was to prevent deliberate surtax avoidance by the device of forming a company and vesting one's fortune or one's business in it, and then borrowing money from the company instead of taking dividends. For this reason the section was made penal in nature. The direction apportioned the whole income, and not the part of the income which it was reasonable to distribute in dividends. Although the scope of surtax directions has been very much widened since 1922, and applies to companies formed without any regard to surtax and where money is not withdrawn in the guise of capital, nevertheless this penal aspect is retained. Moreover, directions may be made for six years back.

It is true that where the Special Commissioners are investigating a company with a view to making directions, one can as it were buy them off by agreeing to declare a dividend which they consider to be reasonable. However, in those cases the company is in a difficult position for if agreement cannot be reached, it faces the possibility of surtax being levied on its whole income. Clearly it is not right that directions should extend to the whole income, regardless of the company's commitments. If the Special Commissioners can say that a particular distribution is unreasonable, then equally they should be able to say what is reasonable, and there should be a right of appeal on this point.

While the profits tax legislation discriminated against companies which made distributions, there was a kind of gentleman's agreement, with the Chancellor's blessing, under which no directions were made on a trading company which kept up its previous dividends and did not indulge in any device for distributing money in the form of capital. This kind of legislation by warning was most unsatisfactory particularly as the Special Commissioners regarded themselves as the sole arbiters of whether or not a particular transaction was a breach of the gentlemen's agreement. This Chancellor's umbrella, as it was called, was withdrawn in August 1957, and although nothing was said about profits tax, it became evident then that the discrimination against distributions had ceased to have any logical basis. In April of this year it was withdrawn.

X. PROFITS TAX

In view of this change, it is perhaps unnecessary to dwell on all the manifest drawbacks of a two-tier profits tax system, under which, for every £1 distributed, the company had to pay to the Exchequer a kind of fine amounting to more than 9*s*. Those companies which did not distribute all their profits, [redacted] of course they could not do so without drawing reserves to meet the tax, faced a mounting potential liability to distribution charge whenever they should be wound up. I understand that by the time the flat rate was adopted in April, something like £18,000 million of profits had so far been charged at the undistributed rate only, and were potentially subject to a distribution charge sooner or later. Fortunately, this burden has now been removed. Those companies who obeyed the Chancellor's exhortations and ploughed back their profits over the last ten years are now secure in the retention of their reward.

Another aspect of the two-tier system deserves mention. Its abolition involved the repeal of incredibly complex legislative provisions covering many pages of the statute book. Some indication of their combined length is indicated by the fact that the repeal provisions of the current Finance Act, on this topic alone, cover two pages. Here is taxation reform indeed.

Time and space do not permit me to do more than mention the possibility of a further simplification of company taxation by having a single flat rate charge

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The concluding part of a paper presented at the autumn meeting of The Institute of Chartered Accountants in England and Wales, in London, on October 4th, 1958. The discussion on the paper was reported in the issue of October 11th.

on all company profits. This would be independent of the standard rate of income tax but credit would be given for it up to the standard rate in assessing dividends which under the system I have in mind would be assessable to income tax on much the same lines as are dividends from overseas trade corporations under the Finance Act, 1957.

XI. ESTATE DUTY

Estate duty has its roots in a humble stamp duty of 5*s* imposed on probates of wills and letters of administration in 1694. By 1779 it was an *ad valorem* duty, but with a maximum of only £2 10*s* 0*d*. However, by 1804 the maximum was £6,000, which applied to personal estates worth half a million or more. In 1894 Sir William Harcourt replaced the probate duty by the modern estate duty which is still technically a stamp duty. Like probate duty it is a mutation tax, not an inheritance tax. The two inheritance taxes, legacy duty and succession duty, which accompanied it, were abolished in 1949, the rates of estate duty being stepped up as compensation to the Exchequer.

In 1894 the maximum rate of duty was 8 per cent and applied only to estates exceeding £1 million, which must have been an enormous fortune in those days. The present maximum rate is 80 per cent – a tenfold increase. On a comparatively modest estate under £150,000 the present rate is 50 per cent, which is more like confiscation than taxation.

Despite the enormous increase in the incidence of the duty, the framework of the tax remains substantially the same. Indeed, the Act of 1894 incorporated by reference provisions of several earlier Acts dealing with probate duty. Defects in these provisions were of little moment when the tax was low; they are a serious burden when it is high. Although the framework has remained the same, this does not mean that there has been no amending legislation. The legislative provisions governing the duty now extend over nearly eighty different Acts of Parliament. Nor have the more recent Acts tended towards simplification; the opposite is the case. The palm is held by the Finance Act, 1940, which was passed virtually without debate at the time Dunkirk was being evacuated. Lord Simonds stigmatized some of its provisions as:

> 'of unrivalled complexity and difficulty, and couched in language so tortuous and obscure that I am tempted to reject them as meaningless'.
>
> (*St Aubyn Estates Ltd v. Attorney-General (1952) A.C. 15.*)

A close rival is Section 38 of the Finance Act, 1957, which is aimed at checking avoidance of the taxation of *inter vivos* gifts and covers nearly five pages. In all this welter of confused and confusing legislation estate duty is incapable of being understood except by a very few experts, and like economists they tend to delight in disagreeing. A crying necessity is a consolidation Act which at the same time will repeal the more archaic provisions and replace them by provisions more suited to the twentieth century. As it is, the energy of the draftsman is devoted mainly to the closing of loopholes, and not at all to rationalization or simplification.

Estate duty is peculiarly anomalous and harsh in its incidence. Although it is inevitably the beneficiaries who ultimately bear the burden, the amount of that burden is by no means necessarily related to their personal circumstances. A millionaire's estate which is divided among a number of impecunious beneficiaries or goes to a charity bears a much higher rate than a smaller estate which goes entirely to a sole heir who is already a man of wealth. Moreover, in arriving at the appropriate rate, there may have to be taken into account all kinds of property which is deemed to pass on the death although the deceased had no beneficial interest in it and although it does not go to the beneficiaries of his estate.

As the rate is fixed by reference to the total estate, and not by reference to distinct slices as in the case of surtax, estates at the margin between one rate and another effectually bear tax at 100 per cent on part of the property. There is much to be said for the surtax principle of successively higher rates on distinct slices.

High rates of estate duty, combined with the fall in the value of money, have caused the estate duty burden to be particularly heavy on family businesses, whether carried on through the medium of a private company or not. Moreover, the heavy rates of income surtax and profits tax have added to the difficulty of saving out of income for the purpose of meeting estate duty. The provisions of Sections 46 and 55 of the Finance Act, 1940, were originally conceived as a counter to deliberate estate duty avoidance by the device of vesting one's fortune or one's business in a private company. But these provisions are so framed as to hit cases where a trade is necessarily carried on by means of a company.

Modern technical progress involves the uses and replacement of ever more costly forms of plant and machinery and these in turn react on the amount and rate of estate duty. Some amelioration was introduced in 1954 when the 45 per cent abatement originally confined to directly-owned agricultural land was extended to industrial buildings, plant and machinery. Where the deceased leaves shares or debentures in a company, this relief is given only when the shares or debentures are valued on the basis of the company's assets under Section 55. It follows that in many cases it pays to ensure that the Section 55 basis applies – a result which can hardly have been intended.

Another relief introduced in 1954 was to permit the substitution of the actual proceeds of sale of shares and debentures which had been valued on the Section 55 basis. Here again, where there has been a sharp fall in value, it may even pay to have the shares valued originally on the Section 55 basis, as the relief does not apply to shares valued on the normal market value basis. Submissions in regard to the granting of this relief in all cases where assets are sold within a reasonable time after the death of the deceased have been made and pressed by the Council on several occasions.

The present reliefs are hedged about by all kinds of restrictions which add greatly to the already formidable complexities. But they do to some extent help to reduce the undesirable tendency of estate duty to inhibit the building up of flourishing family businesses which are so vital to the economic health of the nation.

An illuminating example of the way in which the pattern of a tax can become distorted lies in the history of the treatment of *inter vivos* gifts. Originally it was only gifts which were to all intents and purposes death-bed gifts which were subject to charge. The original period of vulnerability was three months only, after which the donee could safely dispose of the property. This period was extended to twelve months in 1889 but the rate of duty was comparatively slight, as it was in 1910 when there was a further extension to three years. However, in 1946, when the rates of duty on estates over £12,000 were stepped up, the period was extended to five years. It was little wonder that donors and donees sought ways out of the inchoate liability, and at the same time disclosed weaknesses in the original legislation, which of course was passed at the time when the period was only three months. In an attempt to curb avoidance by making gifts of property which would cease to exist at the donor's death, the Finance Act, 1957, imposed new rules of valuation of *inter vivos* gifts, rules which are contained in a section which covers about five pages.

The high rates and the consequential elaborate game of chess between taxpayer and legislature might be avoided if the burden of duty was spread. For instance, there could well be, as there is in several Commonwealth countries and in the U.S.A., a gift tax which was levied at once. I have obtained from friends overseas notes on the gift duty legislation of Australia, New Zealand and the U.S.A., and these are reproduced in the appendices. If necessary, for the protection of the Revenue, the five-year period in regard to *inter vivos* gifts in relation to estate duty could be retained but the gift tax could be available for set off against any eventual estate duty. At the same time, the present 2 per cent stamp duty on certain voluntary dispositions could be re-examined. It seems a little curious nowadays, however expedient it may have been centuries ago, that the question whether or not a gift should be taxed should depend on whether or not a piece of paper had to be used for effectuating the gift.

Likewise with the idea of spreading the burden more equitably the preferential rate for agricultural property might be made dependent on the property having been owned for a specified period of, say, three or five years before death. This would tend to stop death-bed purchases of such property, a form of avoidance which has little to commend it from the national standpoint.

XII. ALTERNATIVE TAXES

Capital Gains Tax

Much has been said and written for and against some form of capital gains tax as a means of broadening the tax base and spreading the burden of direct taxation more evenly.

Unrealized capital gains are clearly not a practicable source of taxation. In income tax unrealized gains are not taxed and the difficulties of taxing unrealized capital gains would be even more formidable.

In the realm of realized capital gains, the existing income tax structure provides for taxation wherever it can be held as a matter of fact that the sale of the capital asset was made as part of a trade or an adventure in the nature of trade, and a vast body of case law has grown up which puts a very wide meaning on those words. The question resolves itself into whether realized capital gains not made by way of trade should be taxed. The available evidence strongly supports the view that the practical difficulties of administering such a scheme would be out of proportion to the net gain in revenue. This is particularly so if capital losses had to be taken into account, which would have to be the case if the new tax were to have any claim to being equitable. The unwillingness of the Inland Revenue to tax gains made by private individuals in stock exchange speculations can only be explained by the fact that such a claim would open a floodgate to claims for loss relief by the unsuccessful operators, with the result, *inter alia*, that expenditure on stamp duties and brokers' commission would be set off against income which is at present to a large extent already taxed. There are of course isolated examples of large capital gains made with complete immunity from taxation, but when the imposition of a new tax is being considered one must have regard to its probable yield and the effect on the community as a whole. The present system can perhaps be improved upon by defining a little more clearly what constitutes a trade, but in general it works satisfactorily and a capital gains tax in an ageing economy such as ours would probably discourage enterprise and initiative to a most detrimental extent. Cricket would be a poor game if there were no boundaries!

Expenditure Tax

I need say no more about an expenditure tax than that it is even less practicable than a capital gains tax. The present system of indirect taxation on so-called non-necessities and luxury goods seem to be infinitely preferable to an annual inquisition into what every individual has spent.

Annual Tax on Wealth

There have been suggestions in some quarters for an annual tax on wealth irrespective of the income, if any, derived from that wealth. In my opinion such a tax would be very bad in principle and the administrative difficulties would be immense.

A death duty is supportable in principle and as I

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have already indicated I consider that once the principle of a death or inheritance duty is accepted there is something to be said for a gift duty as a logical corollary. However, to tax capital annually as well as taxing the income derived from it would have the most baneful effect on saving and on economic development. It would be like sawing good branches off fruit trees for use as firewood after having picked the fruit or using good pedigree milk cattle for beef when in their prime of life.

As to the administrative aspect, we accountants know how troublesome it can be and how many man-hours are taken up agreeing values of assets for estate duty purposes; the thought of having to do this every year even only for every surtax payer will give some indication of the way the staff of the Inland Revenue would have to be multiplied and how arrears of work would pile up in accountants' offices.

In my view, neither an expenditure tax nor an annual tax on capital could be policed satisfactorily. Evasion would be easy and very difficult to detect with the result that the burden of the charge would fall on the shoulders of a disproportionately small fraction of the population. And one last point, just consider how deposits and investments held here by foreigners would take flight and the resultant effect on the sterling exchange.

XIII. CONCLUSION

It is impossible to deal in one paper either with all the reforms which have gone before or with the reforms which still require to be made. Some of the ways in which our present system of direct taxation stand in need of reform stand out more clearly than others. In income tax one would like to see the institution of the current year basis of assessment for all assessments on interest, foreign securities and foreign possessions and the like, and also for business profits where the business is carried on by a corporate body. This would at the same time remove the injustice under which one year's double tax relief is lost. There should be a depreciation allowance for commercial buildings such as shops, offices and hotels, which should not be restricted by any consideration of the increase of the site value. Surtax on company profits should be confined to that part of the company's income which it can reasonably distribute. If tax is to be taken into account in regard to compensation for loss of earnings it should ensure to the benefit of the public revenue and not to that of the person who pays the compensation.

Estate duty law should be codified, with a repeal of the more archaic provisions and dead wood and a streamlining of the legislation now contained in the 1940 Finance Act. The possibility of a gift tax, in ultimate relief of estate duty liability, should be considered and the terms on which the reduced rates are charged should be examined.

The views expressed in this paper are entirely personal and no responsibility for them is to be imputed either to my partners or to the Council of the Institute or to any committee on which I may have served.

APPENDICES
GIFT DUTY LEGISLATION

A. Australia
B. New Zealand
C. United States of America

Appendix A

AUSTRALIAN GIFT DUTIES AND THEIR RELATION TO DEATH DUTIES

Gift duty as such is assessed in Australia under the provisions of the Commonwealth Gift Duty Assessment Act and the Queensland Gift Duty Act. However, the Stamp Duties Acts of the various Australian States other than Queensland impose separate rates of duty on instruments in writing in respect of transfers of property without adequate consideration.

For the purposes of the Commonwealth and Queensland Acts, a 'gift' is any disposition of property which is made otherwise than by will (whether with or without an instrument in writing), without consideration in money or money's worth passing from the disponee to the disponor, or with such consideration so passing if the consideration is not, or, in the opinion of the Commissioner, is not, fully adequate.

The rate of Commonwealth gift duty on any particular gift is assessed in the first instance by reference to the total value of that gift and all other gifts by the same donor within the period of eighteen months previously. The rate of duty so assessed would be subsequently increased if the total value of the particular gift and any gifts within the subsequent eighteen months exceeds the value used in the original assessment, unless the value for rating purposes is subject to the same rate of duty in both cases. For the purposes of the Queensland Gift Duty Act, a period of twelve months backward and forward is used for rating purposes, in lieu of the period of eighteen months used for Commonwealth gift duty.

The present rate of Commonwealth gift duty is 3 per cent where the value of all gifts within the prescribed period exceeds £2,000 but does not exceed £10,000 and rises to 27·9 per cent on gifts of £500,000 or more. The rates of Queensland gift duty range from 3 per cent for gifts between £1,000 and £2,500 in value to 20 per cent for gifts exceeding £63,000.

For the purposes of the Commonwealth Estate and State Death Duties Acts the dutiable estate of a deceased person includes the value of all gifts made within three years prior to death.

A credit is allowed in the Commonwealth estate duty assessment for the amount of Commonwealth gift duty paid on gifts included in the dutiable estate. A similar credit is allowed for Queensland gift duty in the Queensland succession duty assessment.

Appendix B(i)

GIFT DUTY IN NEW ZEALAND

Historical

Gift duty in its present form dates back to the year 1910. At that time New Zealand had a simple but inadequate death duty system and a stamp duty on instruments of gift at rates equivalent to the death duty rates. These provisions were repealed by the Death Duties Act, 1909, and replaced by comprehensive estate and succession duty provisions based on the English system and covering not only gifts of a testamentary nature but also gifts made within three years before death. However, the Act did not stop there, but also imposed a duty on *inter vivos* gifts, whether evidenced by an instrument in writing or not.

The draftsman of that Act was the late Sir John Salmond, who later became a judge of the Supreme Court of New Zealand and is better known to the English legal fraternity as the author of works on the Law of Jurisprudence, Contracts and Torts. This form of gift duty was the model used by the Australian authorities when gift duty was introduced there (Queensland in 1926; Commonwealth in 1941).

The only basic change since 1909 was introduced by the Estate and Gift Duties Act 1955, which abolished succession duties, but re-enacted estate duty and gift duty.

Definition of Gift

'Gift' is defined as any disposition of property which is made otherwise than by will, whether with or without an instrument in writing, without fully adequate consideration in money or money's worth. Where the disposition is made for a consideration in money or money's worth, which is inadequate, the disposition is deemed to be a gift to the extent of the inadequacy.

The Act widely defines a 'disposition of property' to cover not only the normal means of disposition (transfer, payment, release, surrender, creation of a trust, etc.) but also 'any transaction entered into by a person with intent thereby to diminish directly or indirectly, the value of his own estate and to increase the value of the estate of any other person'. Allowing a debt to become statute barred also comes within the definition.

Scope of Gift Duty

As in estate duty, the liability depends on two factors – the domicile of the donor and the actual situation of the property. The charge covers gifts of real or personal property situated in New Zealand and, if the donor is domiciled in New Zealand, gifts of personal property situated outside New Zealand. (This has necessitated a reciprocal arrangement with Australia to avoid the double impact of Australian gift duty and New Zealand gift duty on the same gift.)

Rates of Gift Duty

The duty on a particular gift depends on the value of that gift when aggregated with the value of all other gifts made by the same donor within a period of twelve months, either previously or subsequently to that gift. Where there are such aggregated gifts, the duty attracted by the aggregated value is apportioned to the various gifts involved. Consequently gift duty cannot be avoided or decreased by splitting an intended gift into several gifts unless a period of twelve months is allowed to lapse between each of the several gifts.

However, duty is not payable where the value of the gift (or that value when aggregated with the value of other gifts within the period) does not exceed £500. Accordingly, a donor may make a series of duty free gifts of £500 if he is careful to see that the individual gifts are separated in time from each other by not less than twelve months.

The present rates of gift duty rise gradually to reach 5 per cent at £1,000; 9 per cent at £3,000; 13 per cent at £5,000; 18 per cent at £10,000; 26 per cent at £20,000 and a maximum of 30 per cent at £40,000 (see Appendix B (ii)).

Exemptions from the Duty

Gifts to the same beneficiary in the same calendar year and not exceeding £50 in the aggregate, are not taken into account if the Commissioner of Inland Revenue is satisfied that they were made in good faith as part of the normal expenditure of the donor. Likewise gifts made for or towards the maintenance of the wife, husband or any relative of the donor, or for or towards the education of any such relative, are not taken into account if the Commissioner is satisfied that the gift is not excessive in amount having regard to the legal or moral obligation of the donor to afford that maintenance or means of education.

There are also specific exemptions for the creation of any charitable trust in New Zealand or elsewhere, or the gift of any property in aid of such charitable trust; for contributions by an employer to superannuation funds for the benefit of employees; for payments made by an employer to an employee on his retirement and bonuses and gratuities paid to employees in recognition of special or faithful service rendered; and for payments made to a widow by a person who has been her late husband's employer.

Relief where Gift also attracts Stamp Duty or Estate Duty

Where gift duty is payable the instrument of conveyance which constitutes the gift is exempt from *ad valorem* stamp duty and is charged with a stamp duty of 15*s* instead. If the transaction is part sale and part gift there is a partial exemption from *ad valorem* stamp duty.

Where the same property is liable to gift duty and also (on the death of the donor) to estate duty, the amount paid or payable by way of gift duty is deducted from the sum which would otherwise be payable in respect of the property by way of estate duty. Thus if the donor of a gift dies within three years, the gift duty is deducted from the estate duty attributable to the gift. In such circumstances the gift duty might be regarded as payment of estate duty in advance.

Purpose of Gift Duty

The duty was introduced for the twofold purpose of protecting the death duties and providing a source of revenue. Today, however, it also plays an important role in protecting income tax. The importance of this aspect is shown by a comparison of the relative increases in the yield of income tax and death duties between the financial years ended March 31st, 1910, and March 31st, 1958:

1909–10	Income tax	£316,835	Death duties	£192,014
1957–58	Income tax	£77,787,155	Estate duty	£8,188,008

This purpose of protecting income tax as well as death duties was a reason for the introduction of gift duty as a Commonwealth Tax in Australia in 1941.

It is of interest that in Canada the introduction of a gift tax preceded the introduction of succession duties by some six years, its initial purpose being to discourage the watering down of income by the dispersal among several persons of the assets which produced that income. Its present purpose in that country is admirably summed up by J. Harvey Perry in his book *Taxation in Canada*, where he says:

> 'The primary purpose of the gift tax is to protect the revenues derived from income tax and from succession duties although a small amount of incidental revenue is also produced. It protects the former by discouraging the transfer of income – earning property, such as stocks and bonds, from wealthy persons (who would otherwise pay at a high rate on their yield) to less wealthy persons (who would pay at a lower rate). Similarly it protects succession duty revenue by discouraging the making of gifts during a person's lifetime for the purpose of avoiding succession duties at the time of his death.'

The purposes of a gift duty may, therefore, be stated as being:

(*a*) to protect the revenue derived from death duties or inheritance taxes;
(*b*) to protect the revenue derived from income taxes; and
(*c*) to provide a source of additional revenue.

Gift Duty in Relation to Estate Duty

Except in the higher brackets the rates of gift duty are higher than estate duty rates, e.g. a gift of £10,000 attracts gift duty at the rate of 18 per cent, whereas an estate of £10,000 attracts estate duty at the rate of 10 per cent. This is because of the role of gift duty in protecting the estate duty revenue. (For the estate duty scale, see Appendix B(iii).)

The rates certainly do not encourage a person to dispose of the bulk of his estate by a single gift, but it nevertheless pays to make a gift or a series of gifts for the purpose of reducing the estate duty payable on death.

For example, if a person has an estate of £30,000 and retains it, estate duty of £9,000 will become payable on his death. If he makes a gift of £10,000, it will cost him £1,800 in gift duty, but will mean that his estate is reduced by £10,000 and £1,800 to a figure of £18,200. If he dies more than three years after the gift, his reduced estate of £18,200 will attract estate duty of £3,314. In that case the revenue receives £5,114 in gift duty and estate duty whereas it would otherwise have received £9,000 in estate duty. If he dies less than three years after his gift, little would have been gained by his estate as the gift would be included in his dutiable estate for estate duty purposes, thereby bringing it up from £18,200 to £28,200. Certainly nothing would have been lost by his estate as the £1,800 paid in gift duty would be allowed in reduction of the estate duty.

Needless to say, the most popular method of reducing the estate duty is by the gradual 'unloading' of the estate on to the beneficiaries by a series of gifts each separated from the preceding one by a period of not less than twelve months; and the most popular individual gifts are those of a value not exceeding £500 which attract no duty and those between £500 and £1,000 which attract little duty.

Other Estate Duty Aspects

In New Zealand a gift made within three years before the donor's death is in effect required to bear the greater of:

(a) its gift duty liability; and

(b) its estate duty liability, but not both.

In England a gift made outside the statutory period (five years) is free of duty (other than stamp duty) whereas a gift within the period is subject to estate duty. Consequently the contrast in revenue implications between a gift just outside the statutory period and a gift just within that period is greater in England than in New Zealand. In New Zealand it is convenient and appropriate that the value of the gift for gift duty purposes and its value for estate duty purposes should be the same. Accordingly, a gift within the statutory period is included in the deceased donor's estate for estate duty purposes at its value as at the date of the gift and not, as in England, at its value as at the date of the donor's death.

Statistics

The number of estates and gifts recorded in the last two years was:

	Estates	*Gifts*
1956	11,870	9,225
1957	12,388	9,410

The revenue from these sources in the last two financial years was:

	Estate duty	*Gift duty*
1956–57	£7,624,901	£643,463
1957–58	£8,188,008	£815,438

Appendix B(ii)

GIFT DUTY

Scale of rates operating in respect of gifts made on or after June 27th, 1958

Value of Gift (together with value of all Aggregated Gifts)	Rate						
£501– 1,000	10% of excess over £500						
1,001– 1,500	5%	,,	£1,000	(£50)	plus	8%	of excess
1,501– 2,000	6%	,,	£1,500	(£90)	,,	10%	,,
2,001– 2,500	7%	,,	£2,000	(£140)	,,	12%	,,
2,501– 3,000	8%	,,	£2,500	(£200)	,,	14%	,,
3,001– 3,500	9%	,,	£3,000	(£270)	,,	16%	,,
3,501– 4,000	10%	,,	£3,500	(£350)	,,	18%	,,
4,001– 4,500	11%	,,	£4,000	(£440)	,,	20%	,,
4,501– 5,000	12%	,,	£4,500	(£540)	,,	22%	,,
5,001– 6,000	13%	,,	£5,000	(£650)	,,	19%	,,
6,001– 7,000	14%	,,	£6,000	(£840)	,,	21%	,,
7,001– 8,000	15%	,,	£7,000	(£1,050)	,,	23%	,,
8,001– 9,000	16%	,,	£8,000	(£1,280)	,,	25%	,,
9,001–10,000	17%	,,	£9,000	(£1,530)	,,	27%	,,
10,001–11,000	18%	,,	£10,000	(£1,800)	,,	29%	,,
11,001–12,000	19%	,,	£11,000	(£2,090)	,,	31%	,,
12,001–13,000	20%	,,	£12,000	(£2,400)	,,	33%	,,
13,001–14,000	21%	,,	£13,000	(£2,730)	,,	35%	,,
14,001–15,000	22%	,,	£14,000	(£3,080)	,,	37%	,,
15,001–16,000	23%	,,	£15,000	(£3,450)	,,	39%	,,
16,001–18,000	24%	,,	£16,000	(£3,840)	,,	33%	,,
18,001–20,000	25%	,,	£18,000	(£4,500)	,,	35%	,,
20,001–25,000	26%	,,	£20,000	(£5,200)	,,	31%	,,
25,001–30,000	27%	,,	£25,000	(£6,750)	,,	33%	,,
30,001–35,000	28%	,,	£30,000	(£8,400)	,,	35%	,,
35,001–40,000	29%	,,	£35,000	(£10,150)	,,	37%	,,
Over £40,000	30% of the value of the gift.						

Appendix B(iii)

ESTATE DUTY

Scale of rates operating in estates of persons dying on or after June 27th, 1958

Final Balance of Estate	Rate						
£1,001–£2,000	4% of excess of final balance over £1,000						
2,001– 3,000	2%	,,	£2,000	(£40)	plus	5%	of excess
3,001– 4,000	3%	,,	£3,000	(£90)	,,	7%	,,
4,001– 5,000	4%	,,	£4,000	(£160)	,,	9%	,,
5,001– 6,000	5%	,,	£5,000	(£250)	,,	11%	,,
6,001– 7,000	6%	,,	£6,000	(£360)	,,	13%	,,
7,001– 8,000	7%	,,	£7,000	(£490)	,,	15%	,,
8,001– 9,000	8%	,,	£8,000	(£640)	,,	17%	,,
9,001–10,000	9%	,,	£9,000	(£810)	,,	19%	,,
10,001–11,000	10%	,,	£10,000	(£1,000)	,,	21%	,,
11,001–12,000	11%	,,	£11,000	(£1,210)	,,	23%	,,
12,001–13,000	12%	,,	£12,000	(£1,440)	,,	25%	,,
13,001–14,000	13%	,,	£13,000	(£1,690)	,,	27%	,,
14,001–15,000	14%	,,	£14,000	(£1,960)	,,	29%	,,
15,001–16,000	15%	,,	£15,000	(£2,250)	,,	31%	,,
16,001–17,000	16%	,,	£16,000	(£2,560)	,,	33%	,,
17,001–18,000	17%	,,	£17,000	(£2,890)	,,	35%	,,
18,001–19,000	18%	,,	£18,000	(£3,240)	,,	37%	,,
19,001–20,000	19%	,,	£19,000	(£3,610)	,,	39%	,,
20,001–21,000	20%	,,	£20,000	(£4,000)	,,	41%	,,
21,001–22,000	21%	,,	£21,000	(£4,410)	,,	43%	,,
22,001–23,000	22%	,,	£22,000	(£4,840)	,,	45%	,,
23,001–24,000	23%	,,	£23,000	(£5,290)	,,	47%	,,
24,001–25,000	24%	,,	£24,000	(£5,760)	,,	49%	,,
25,001–26,000	25%	,,	£25,000	(£6,250)	,,	51%	,,
26,001–27,000	26%	,,	£26,000	(£6,760)	,,	53%	,,
27,001–28,000	27%	,,	£27,000	(£7,290)	,,	55%	,,
28,001–29,000	28%	,,	£28,000	(£7,840)	,,	57%	,,
29,001–30,000	29%	,,	£29,000	(£8,410)	,,	59%	,,
Over £30,000	30%	,,	£30,000	(£9,000)	,,	60%	,,

Appendix C

UNITED STATES OF AMERICA FEDERAL GIFT TAX AND ITS INTERRELATION WITH FEDERAL ESTATE TAX

Gift Tax Provisions

The present Federal tax imposed by the Internal Revenue Code of 1954 upon transfers of property by gift basically dates from the Revenue Act of 1932. A prior gift tax law had been enacted as a part of the Revenue Act of 1924, but those provisions were short-lived and were repealed as of January 1st, 1926.

The tax imposed under the current statute reaches every transfer of property by gift made by an individual who is citizen or resident of the United States. It applies whether the transfer is in trust or otherwise, whether the gift is direct or indirect, and whether the property is real or personal, tangible or intangible. The imposition of the gift tax is not limited to transfers which are without a valuable consideration, but may be extended to sales or exchanges for less than an adequate and full consideration in money or money's worth where some intent to make a gift is evident.

In general it may be stated that the gift tax is an excise tax on *the transfer*, and is not a tax levied on *the subject of the gift*.[1] There are certain exceptions to this statement, however, particularly as to transfers made by non-resident individuals who are not citizens of the United States. With respect to individuals coming within this classification, the law, as amended by the Internal Revenue Code of 1954, is apparently intended to provide three basic rules:

(1) The tax does not apply to transfers made by such individuals of property situated outside the United States at the time of the gift.

(2) A transfer by a non-resident who is not a citizen of real estate or tangible personal property physically situated in the United States is subject to the tax.

(3) The statute further specifically excludes from the application of the tax any transfer of intangible pro-

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[1] Under this concept the Courts have held that statutory provisions which exempt from taxation bonds, notes, bills and certificates of indebtedness of the Federal Government or its agencies and the interest thereon are not applicable to the gift tax.

L. C. Phipps v. Commissioner, (91 Fed. (2d) 627).

L. G. Hammersley v. United States, (16 Fed. Supp. 768).

> perty (wherever deemed to be situated) by a non-resident who is not a citizen *and who was not engaged in business in the United States during the calendar year in which the transfer was made.* With respect to such individuals who do engage in business in the United States during the year in which a transfer of intangible property is effected, the application of the tax is limited to property 'situated in the United States'. In determining the *situs* of shares of corporate stock for this test, the statute now provides that they 'shall be deemed to be property within the United States only if issued by a domestic corporation'.

In connection with these somewhat liberalized amendments relating to transfers by non-residents who are not citizens of the United States, it must be noted that the Commissioner of Internal Revenue has not yet issued regulations giving the Treasury Department's interpretation of the changes enacted in 1954.

For purposes of the gift tax, the present statute grants every citizen or resident of the United States a lifetime $30,000 exemption which may be claimed in such portions as desired until fully utilized. In addition to the overall specific exemption, each individual is presently allowed an annual exclusion of $3,000 with respect to gifts of a 'present interest' to each separate donee. This annual exclusion is not allowable where the interest taken by the *donee* in the gift may be characterized as a 'future interest' – that is, an interest to which the donee is not entitled to immediate enjoyment. While the amount of the annual exclusion has been $3,000 for all years beginning with 1943, the exclusion for gifts made from 1932 through 1938 was $5,000 and for the years 1939 through 1942 an exclusion of $4,000 was allowed. The exclusion allowable for these prior years is sometimes important in determining the tax for a current year. This is due to the fact that, by reason of the cumulative operation of the tax hereinafter mentioned, gifts made in all previous years beginning with 1932 must be considered in computing the current year's tax.

Subsequent to the enactment of the Revenue Act of 1948 on April 2nd, 1948, the law has provided that gifts made by a husband or wife to a third person are considered as having been made one-half by the husband and one-half by the wife, if each is a *citizen or resident* of the United States at the time of the gift and if both consent to treat in the same manner all gifts made by either spouse during the calendar year while married to each other. Similarly, one-half the value of gifts made by one spouse to the other is deductible in arriving at the net gifts for purposes of the tax computations. The effect of these provisions has been to increase the amount that may be transferred by gift within the family group without incidence of tax and on the overall basis keeps the effective tax rate lower on the cumulative basis.

As previously noted, the gift tax is cumulative in its operation. The tax with respect to the current year's gifts is obtained by first determining an amount of tax on the aggregate sum of all 'taxable gifts' made since the tax became effective in 1932. From such figure is deducted an amount of tax computed on the aggregate of 'taxable gifts' for each of the years preceding the current year – the difference between these calculations representing the tax payable for the current year. In making these calculations the tax is computed in both instances at the rates and with the specific lifetime exemption in effect during the year for which the return is being filed.[1]

The requirement for filing a gift tax return and a donee's return is met if an individual makes a gift or series of gifts exceeding $3,000 in one year to one donee, even though no tax may be payable. Such returns and any tax indicated thereby are due by April 15th, of the year following the year in which the gift or gifts were made. Inasmuch as the tax is essentially levied upon the act of making a transfer of property by gift, the primary liability for payment of the tax rests upon the donor. However, in order to insure to some extent the collection of any amounts payable, provision is made in the statute whereunder the tax is made a lien upon all property transferred by gift for a period of ten years after the date of the gift. Further, if the tax is not paid when due, the donee may become personally liable therefor to the extent of the value of the gift.

The basis for computing the tax is the fair market value of the property on the date of the gift. This poses no problem in the case of money, stock or bonds sold through a recognized securities exchange, or other property which is susceptible of appraisal. With respect to gifts of stock owned in a 'closely-held' corporation, however, the determination of fair market value usually presents considerable difficulty.

There is no income tax imposed on the donor, of course, as the result of a transfer by gift of property having a then market value in excess of his cost basis. For the purpose of determining gain upon a subsequent disposition of the gift property, the donee is required to use the donor's cost basis. What happens, therefore, is that any appreciation in value of the property which existed at the time of the gift and is subsequently realized upon a sale by the donee is taxable to him. Even so, there may be an overall tax saving where the tax bracket of the donee is lower than that of the donor.

Interrelation of Gift Tax and Estate Tax

The gift tax law is designed to complement the estate tax law but in some instances results in an overlapping of application. One of the principal purposes of the gift tax is to prevent complete avoidance of the estate tax by means of lifetime transfers without, at the same time, completely discouraging the making of gifts. This purpose prompted the allowance of the specific lifetime exemption and the annual exclusion, both designed to permit the making of relatively small gift transfers without the incurrence of a prohibitive tax burden. It also played an important part in fixing the gift tax rates at only three-fourths of the estate tax rates, as shown by tables (see page 535) of the respective rates on graduated amounts up to $1,000,000.

As so fixed, the gift tax rates operate both to encourage

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[1] Taxable gifts and tax paid thereon
For years prior to current taxable year (1957)

1941		
Total gifts (one donee)		$114,000
Less:		
Annual exclusion	4,000(A)	
Specific exemption	40,000(A)	
		44,000
TAXABLE GIFTS		$70,000

COMPUTATION OF TAX

1. Amount of taxable gifts for year ..	$70,000
2. Total amount of taxable gifts for preceding years	None
3. TOTAL TAXABLE GIFTS ..	$70,000
4. Tax computed on Item 3 (1941 rates)	$4,050
5. Tax computed on Item 2	None
6. Tax on taxable gifts for year ..	$4,050

NOTE A. Amount of anhual exclusion and specific exemption allowable in 1941

1950	
Taxable gifts for year	$20,000
Taxable gifts preceding years	$70,000
Add amount by which specific exemption claimed exceeds $30,000	10,000
Total amount of taxable gifts for preceding years	$80,000

COMPUTATION OF TAX

1. Amount of taxable gifts for year ..	$20,000
2. Total amount of taxable gifts for preceding years	80,000
3. TOTAL TAXABLE GIFTS ..	$100,000
4. Tax computed on Item 3 (1950 rates)	$15,525
5. Tax computed on Item 2 (1950 rates)	11,325
6. Tax on taxable gifts for year ..	$4,200

and to deter gift-making. Benefit is obviously gained by the fact that the first gifts made are removed from the top tax brackets to which the estate would be subjected and transferred to the lowest bracket for gift tax purposes. Furthermore, any gift tax paid, as well as the gift itself, is removed from the taxable estate and the income from the transferred property may be taxable at lower rates in the hands of the donee than it was to the donor.

The deterring factors are these:

(1) Where the aggregate amount of lifetime gifts is substantial, the gift tax cost of the last gifts made may exceed the estate tax cost of transferring the same property by bequest or devise.

(2) The donor loses the income from and the control of the transferred property for life, and any income which might have been earned on the amount required to pay the gift tax is lost to the donor and donee alike.

(3) As previously indicated, the donee of property transferred by gift is required to use the donor's 'cost basis' in determining gain on a subsequent sale of the property. On the other hand, property passing by reason of death of the owner thereof takes a new basis in the hands of the estate or the beneficiary equivalent to the value at which it was appraised for purposes of the Federal estate tax or the inheritance tax law of the State in which the decedent had his domicile. Hence, any appreciation in value of the property at that time over its 'cost' to the decedent will for ever escape the Federal income tax. Thus it will be seen that an *inter vivos* transfer of property which has substantially appreciated in value may be costly from the overall tax standpoint, since the combined amount of any gift tax paid upon the transfer and the Federal income tax which would be levied upon a later sale of the property by the donee may far exceed the estate tax attributable to the inclusion of such property in the estate. This factor should be particularly borne in mind when the prospective donor is an individual of somewhat advanced years.

A further note of caution is pertinent in considering the advisability of gift transfers by individuals of advanced age or having a known physical ailment which may cause their death within a relatively short time. Under the provisions of the Federal estate tax law, any property determined to have been previously transferred by the decedent in 'contemplation of death' must be included in the gross estate for the purposes of that tax.

As used in the statute, the phrase 'contemplation of death' does not mean the general expectation of death such as all persons entertain, nor is its meaning restricted to an apprehension that death is imminent. One of the tests applied by the Courts in this connection is whether the gift transfer was prompted primarily by the thought of death, i.e. if it was made essentially to avoid the imposition of the estate tax or as a substitute for a testamentary disposition of the property. In considering whether or not such thought motivated the transfer, consideration is given to the physical and mental condition of the decedent at the time of the gift, to motives associated with life rather than death, and to all other attendant facts and circumstances.

With respect to individuals dying after September 23rd, 1950, the present statute provides that any gift transfer made by the decedent within a period of three years ending with the date of death is deemed to have been made in 'contemplation of death' unless shown to the contrary. On the other hand, a transfer made more than three years before death is not includible in the gross estate under this provision, regardless of the decedent's motive in making such transfer.

Where property previously transferred by gift is also [illegible]luded in the gross estate as one made 'in contemplation [illegible] death', the estate tax law provides for a credit against the [illegible]te tax of the gift tax paid with respect to the gift transfer. [illegible]easo[illegible]ences in valuation of the property at the [illegible]cedent's death, as well as other [illegible] account in the computation, full credit for the gift tax paid may not be obtained against the estate tax levy.

In summation, it is clearly evident from what has been said concerning the interrelation of the two complementary taxes that careful consideration must be given to the advisability of utilizing gift transfers in the field of 'estate planning'. With proper attention to all of the various factors substantial amounts of tax may be saved, with the result that a greater portion of an individual's present estate may ultimately be passed on to members of his family.

THE TABLES

The following is a comparison of the effective rates for Federal estate and gift taxes on graduated amounts up to $1,000,000:

Estate Tax

Taxable estate after all allowable deductions and exemptions

From	*To*	*Tax=*	+ %	*Of excess over*
$ 0	$ 5,000	$ 0	3	$ 0
5,000	10,000	150	7	5,000
10,000	20,000	500	11	10,000
20,000	30,000	1,600	14	20,000
30,000	40,000	3,000	18	30,000
40,000	50,000	4,800	22	40,000
50,000	60,000	7,000	25	50,000
60,000	100,000	9,500	28	60,000
100,000	250,000	20,700	30	100,000
250,000	500,000	65,700	32	250,000
500,000	750,000	145,700	35	500,000
750,000	1,000,000	233,200	37	750,000

Gift Tax

Taxable gifts after the specific exemption and all annual exclusions.

From	*To*	*Tax=*	+ %	*Of excess over*
$ 0	$ 5,000	$ 0	2¼	$ 0
5,000	10,000	112·50	5¼	5,000
10,000	20,000	375	8¼	10,000
20,000	30,000	1,200	10½	20,000
30,000	40,000	2,250	13½	30,000
40,000	50,000	3,600	16½	40,000
50,000	60,000	5,250	18¾	50,000
60,000	100,000	7,125	21	60,000
100,000	250,000	15,525	22½	100,000
250,000	500,000	49,275	24	250,000
500,000	750,000	109,275	26¼	500,000
750,000	1,000,000	174,900	27¾	750,000

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Weekly Notes

All H.P. Controls End

As from October 29th the remaining restrictions on hire-purchase and rental agreements came to an end. The goods cleared from control by credit purchase include private cars, radio and television receivers, other domestic electric and gas appliances, office furniture and fittings, aircraft and ships. From now on the initial down payment on a hire-purchase or rental agreement will be a matter between the trader and the customer. The protection given to hirers under the Hire Purchase Acts is not affected.

This final dismantling of hire-purchase controls means that the Government have decided that it is desirable to stimulate the economy even further through the purchase of consumer goods. In the past the ending of hire-purchase controls has had a quick effect on the domestic market and it has proved to be one of the most effective instruments of economic policy. Although the Government is anxious to leave the dismantling of controls in such a position that it will take enabling legislation to reinforce controls in the future, they are in danger in fact of making a highly flexible instrument of economic control inflexible.

For the time being those who fear higher unemployment and deflation have won the day. The Government is clearly going to do everything it can to ensure that by next spring the volume of employment is declining even apart from seasonal factors. There still remains the possibility, as events in the United States are now showing, that a state of deflation may be exceedingly quickly transformed into one of inflation. This is a risk which the Government is for the time being prepared to take.

National Income and Expenditure

The latest quarterly figures of national income and expenditure issued by the Treasury last Monday show that Britain is spending more and earning more than ever before. In the second quarter of the year personal incomes were £258 million or 6 per cent higher than in the corresponding period last year. Wages and salaries rose by over 1s in the £ – the smallest increase for a number of years – but there was a 2 per cent drop in gross trading profits of companies.

Consumer expenditure increased by £176 million, or 5 per cent, at current prices, but at constant prices (1954 level) the increase was only 1½ per cent. The biggest proportionate increases compared with a year ago were on cars, motor cycles, and on fuel and light.

Total investment both at home and abroad during the first half of the year increased over the first half of last year by £144 million, or 7 per cent. Of this rise, £118 million was gross fixed capital formation, and £216 million was net investment abroad. Investment in stocks fell by £190 million. Increases in personal, Government and corporate savings totalled over £100 million. Personal savings of disposable income were 11 per cent, the same as in the first half of last year. In real terms, that is excluding price changes, production in the second quarter was 2 per cent lower than in the same period last year. Exports in the first half of this year were 4 per cent lower and imports 11 per cent less than in the same months of 1957.

New Secretary of The Institute of Cost and Works Accountants

Mr Derek du Pré, joint secretary of The Institute of Cost and Works Accountants since September 1956, has been appointed secretary of the Institute as from October 1st. He succeeds Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., who retired as director and secretary on September 30th.

Mr du Pré was formerly editor of *The Accountant* and was a member of the panel of judges of *The Accountant* Annual Awards for company reports and accounts. In 1952 he was appointed honorary public relations officer to the Sixth International Congress of Accountants which was held at The Royal Festival Hall in London and, in September 1957, Mr du Pré was one of the official Institute delegates to the Seventh International Congress held in Amsterdam.

During the war, Mr du Pré served with the Reconnaissance Corps and subsequently attended The Royal Military College, Sandhurst. In 1942 he was commissioned in the Coldstream Guards.

Accountants in California

Although mainly of local interest, a recently-published report on the accountancy profession in California deserves mention if only as an outstanding example both of research and presentation.[1] The survey was made by the bureau of business and economic research of the University of California and the co-operation of some 1,500 certified public accountants and public accountants was obtained in collecting the necessary information. T[illegible] includes a host of statistics about the characterist[illegible] of public accounting practices in the State – their number, size, age, staff strength, gross earnings, fee structure and clients – and, what is even more interesting, about the attainments, preferences and prejudices of the individual members.

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[1] *The Public Accounting Profession in Cali*[illegible] Burea[illegible] Business and Economic Rese[illegible] Los Angeles.

Based on a sample of about 8 per cent of the total membership, the median age for all certified public accountants• (at the end of 1956) was 38·8 years. Married males constituted 91·1 per cent of the sample, single males 7·6 per cent and single and married females ·8 per cent and ·5 per cent respectively. No one admitted to having had wealthy parents, 10·1 per cent designating their origins as 'upper middle class', 49·8 per cent as 'middle class', 32·5 per cent as 'lower middle class' and 7·6 per cent as 'poor'. Asked to the quality of their scholarship as undergraduates, 26·8 per cent classified themselves as being superior or excellent students (in contrast to this, only 6·3 per cent of the public accountants' section put themselves on the same pedestal) and ·3 per cent were honest enough to write themselves off as failures as students. The surprisingly large percentage of 62·3 stated that they took little or no part in athletics at college and only 21 per cent were very (or even fairly) active in undergraduate extra-curricular activities. In assessing what was the dominating factor in becoming certified public accountants, only 4·8 per cent were motivated by the prospect of acquiring money and public prestige. Family influence (8·8 per cent) was seemingly small. Indeed, the greatest single factor seemed to be a liking developed for the subject by taking a course or two in book-keeping or accounting.

From the many other tables produced in a most informative work, one may draw inferences and conjecture almost endlessly on the ages and earnings of those engaged in public practice and of those employed in industry and, after calculating the appropriate sterling equivalents, renew the game by making a whole series of transatlantic comparisons.

United Kingdom's Share of World Trade

THANKS to lower United States exports and the stability of sterling area markets, this country's share of world trade has started to increase. This and other facts about the United Kingdom's export performance are given in the latest issue of the *G.E.C. Export Guide*. The guide now celebrates its second anniversary and an increase in circulation since it began from 5,000 to 15,000 copies. It continues to make a valuable contribution to knowledge about export trends by sifting and condensing a vast range of trade figures to a selection and into a form which indicate the outstanding features.

As well as its usual diagrams, the guide this time has an analysis of the United Kingdom's overseas trade since the war. Four main trends have emerged over this period. These are, first, the growing competition from Germany and Japan; second, a fall in the United Kingdom's share in world trade in manufactures; third, the growth of exports to Europe and the United States; and fourthly, the move from consumer to capital goods. Part of this country's problem has been to switch the emphasis of its export trade from consumer goods to industrial equipment. This switch is now beginning to show results – one of them being the depression of some sections of the textile industries and the high rate of expansion of the engineering industry.

Taxation Case

A full report of the case summarized in this column will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'.

Bullock *v.* Unit Construction Co Ltd

In the High Court of Justice (Chancery Division)
July 22nd, 1958
(Before Mr Justice WYNN-PARRY)

Income tax – Residence of companies – Subvention payment – Finance Act, 1953, Section 20.

A.B. & Co Ltd, a company resident in the United Kingdom, had three wholly-owned subsidiaries which were registered and resident in East Africa. The boards of directors of the three subsidiaries were constituted differently from that of the parent company, but the latter exercised *de facto* control over the policies followed by the subsidiaries, and the Boards of the East African subsidiaries always accepted the instructions and directions of the parent company's board.

The respondent company, which was resident in the United Kingdom and was another wholly-owned subsidiary of A.B. & Co Ltd, made payments to the East African subsidiaries which it claimed to deduct in the computation of its profits as subvention payments under Section 20 of the Finance Act, 1953. The issue was whether the East African companies were resident in the United Kingdom, for if they were the payments were deductible.

Held, (1) that a company is resident where the superior or directing authority is situate, that authority being exercisable only within the company's constitution; (2) that in the circumstances the parent company's board of directors was not properly to be considered the superior or directing authority of the East African subsidiaries; and (3) that the East African subsidiaries were not resident in the United Kingdom.

Finance and Commerce

Qualcast

THE subject of this week's reprint is the accounts of Qualcast Ltd, a name identified at once with lawn mowers, but now also a power in the light castings industry. These are the first accounts to be issued since the acquisition of the interest in H. Kaufmann Ltd which produces the 'Suffolk Punch' range of mowers, agricultural machinery, etc. The Qualcast accounts are accompanied by the separately published Kaufmann accounts for the half-year to June 30th, 1958, the Qualcast accounting date.

Qualcast acquired the Kaufmann ordinary capital (£312,500) in December 1957, with effect from July 1st, 1957, in consideration of the issue of 1,562,500 5*s* ordinary shares, the Kaufmann accounting date being changed from December 31st to June 30th.

Kaufmann 1957 profits have been apportioned as between pre- and post-acquisition on a time basis, one-half being brought into the consolidated profit and loss account (£206,283) together with the profit shown in the half-year's accounts to June 30th, 1958, (£300,667). The increase is stated to be due in the main to the seasonal nature of the business. Taxation provided on these profits includes a special provision primarily arising in connection with the change in accounting date and the policy of providing for taxation as far in advance as possible. Due to the seasonal factors the Kaufmann profit, it is stated, is somewhat inflated above what can be expected for a normal year's accounts.

Laugh at Inflation

A new feature of the Qualcast report this year is the ten-year comparative table of capital – nominal and employed – and of profits and their appropriation. As we have said on another occasion, inflation unfortunately distorts long comparisons. A note to the Qualcast table, however, implies that in the right equity, inflation can be laughed at: between 1949 and 1955, it is stated, a holding of 100 shares was increased to 693 shares by five scrip issues.

In his review, Mr V. Jobson, the chairman, repeats his saying of last year: 'The greatest crime a company can commit against its employees is to fail to make profits', and before it makes its net profits, he says, it must pay its taxes which are 'part of a company's cost of living'.

Picture Magazine

A WELL-INTENTIONED reader lent us a copy of the thirtieth anniversary annual report of General Mills Inc of Minneapolis, presented in the most elaborate gravure news-magazine form we have yet seen. Mixed up, in print and pictures, with General Mills facts and figures, are sports items, food hints and cooking recipes.

The magazine features the activities of General Mills, its flour division, grocery products, refrigerated foods, oilseeds, etc. There is even a department that makes plastic balloons for the exploration of the upper atmosphere. Appetite is tempted with colour pictures of delicious cakes and confections. Bound into the centre is the very formal financial statement which includes 'Historical data for twenty-five years'.

Detailed View

The accounts themselves are in the customary American form. 'Results of operations' takes the view down from sales through costs, taxes, etc., to earnings. 'Earnings employed in the business' shows the appropriation of profits in dividends and sums retained. The 'Financial position', in columnar form, shows net current assets as 'Working capital' to which 'Other assets' and 'Long-term debt and reserves' are added to be reconciled with 'Total stockholders' equities'. Notes to the financial statements provide the detail and explanations excluded from the main statements.

The twenty-five-year record covers fourteen items including sales, taxes, net earnings (in total as well as in terms of the return on sales, capital and the common stock), the number of stockholders and the number of employees.

Evidence of the expansion of the General Mills organization is provided in the difference between the make-up of sales in 1938 and in 1958. In 1938 when sales totalled $153 million, flour accounted for 74 per cent of the total; formula feeds for 17 per cent; and package foods for 9 per cent. In the year to May 1958, flour accounted for 43 per cent of total sales of $530 million; formula feeds for 13 per cent; package foods for 33 per cent; and chemical and general for 11 per cent.

While the make-up and content of the financial accounts themselves is interesting, it is the typically American salesmanship of the 'magazine' that holds the attention. The drive of an organization which holds regional stockholder meetings 'in eight cities across the nation' is exemplified in every line and picture.

Next Week's Reprint

An extract from the marketing details of Arcolectric (Holdings) Ltd will form the reprint in next week's issue.

QUALCAST LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 30TH JUNE 1958

	£	£	1957 £
ISSUED SHARE CAPITAL OF QUALCAST LIMITED			
75,000 7% Cumulative Preference Shares of £1 each, fully paid	75,000		
6,272,647 Ordinary Shares of 5s each, fully paid	1,568,162		
		1,643,162	*1,252,537*
CAPITAL RESERVES			
SHARE PREMIUM ACCOUNT (See Note 2 on Page 12)[1]	718,217		
GENERAL	2,868		
		721,085	—
REVENUE RESERVES			
GENERAL RESERVE	635,625		*585,625*
PROFIT AND LOSS ACCOUNT	340,675		*228,426*
		976,300	*814,051*
INTEREST OF MINORITY SHAREHOLDERS			
Preference Shares in Subsidiary Companies		219,564	—
FUTURE INCOME TAX		853,125	*480,588*
TOTAL CAPITAL EMPLOYED		4,413,236	*2,547,176*
CURRENT LIABILITIES			
SUNDRY CREDITORS AND ACCRUED CHARGES ..	987,070		*483,639*
CURRENT TAXATION	404,375		*199,172*
PROPOSED FINAL ORDINARY DIVIDEND OF QUALCAST LIMITED, LESS TAX	148,779		*111,719*
		1,540,224	*794,530*
		£5,953,460	*£3,341,706*

NOTES—(1) Taxation has been provided for on all Profits earned to 30th June, 1958 and includes a special provision by the H. Kaufmann Companies arising by reason of—

(*a*) Change of accounting date to 30th June, 1958.

(*b*) Provision of the whole of the estimated Income Tax Schedule "D" liability for 1959/60 in the half year's Accounts to 30th June, 1958.

(*c*) The possibility of additional Profits Tax being payable up to 31st December, 1957 following the Finance Act, 1958.

(2) Outstanding commitments for Capital Expenditure are estimated at £77,234.

(3) Australian currency has been converted at a rate of exchange of 125.

	£ *Cost or Valuation*	£ *Depreciation*	£	1957 £
FIXED ASSETS				
FREEHOLD LAND AND BUILDINGS ..	861,161	179,589	681,572	*566,485*
FREEHOLD AND LEASEHOLD DWELLING HOUSES, CLUB PREMISES AND SPORTS FIELD	22,195	6,827	15,368	*15,109*
PLANT, MACHINERY, MOTOR VEHICLES AND EQUIPMENT	2,002,263	1,300,841	701,422	*455,226*
	£2,885,619	£1,487,257	1,398,362	*1,036,820*
GOODWILL, TRADE MARKS AND PATENTS			1	*1*
			1,398,363	*1,036,821*
TRADE INVESTMENTS at cost			29,628	—
CURRENT ASSETS				
STOCKS, STORES AND WORK IN PROGRESS, at cost, or under, as valued by the Companies' Officials		1,861,593		*1,018,188*
DEBTORS, BILLS RECEIVABLE AND PAYMENTS IN ADVANCE, after deducting provisions for Bad Debts, Discounts and Allowances		1,613,690		*952,289*
TAX RESERVE CERTIFICATES		21,525		—
LOANS TO LOCAL AUTHORITIES		700,000		—
CASH AT BANK AND IN HAND		328,661		*283,812*
			4,525,469	*2,254,289*
EXCESS OF BOOK VALUE OF SHARES in Subsidiary Companies over the value of Net Assets of such Companies at the dates of acquisition			—	*50,596*
			£5,953,460	*£3,341,706*

V. JOBSON } *Directors*
T. W. D. COOPER }
E. J. APPLEBY *Secretary*

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[1] Not reproduced.—Editor.]

QUALCAST LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30TH JUNE 1958

	£	£	1957 £
GROUP TRADING PROFIT, after charging General Trading Expenses, but before taking into account the items set out below		1,414,114	749,353
Add:			
Dividend on Trade Investment	1,108		
Interest on Bank Deposits, Tax Reserve Certificates, Treasury Bills and Loans to Local Authorities ..	34,357		
		35,465	—
		1,449,579	749,353
Deduct:			
Depreciation of Fixed Assets	162,774		122,298
Contributions to Employees' Life Assurance, Pension and Retirement Benefit Schemes	21,465		19,602
Auditors' Remuneration and Expenses	5,608		3,947
Past Directors' Pensions	5,052		4,534
		194,899	150,381
		1,254,680	598,972
Deduct:			
Remuneration of the Directors of Qualcast Ltd, in respect of services to the Group:—			
Fees	4,779		2,874
Emoluments as Executives and Pension Scheme Contributions	76,214		48,815
		80,993	51,689
PROFIT FOR THE YEAR BEFORE PROVIDING FOR TAXATION		1,173,687	547,283
TAXATION based on the Profits of the Year:			
Income Tax	530,325		249,693
Profits Tax	138,747		95,246
	669,072		344,939
Less:			
Amount overprovided in previous years	—		12,000
		669,072	332,939
PROFIT AFTER PROVIDING FOR TAXATION		£504,615	£214,344

(O[illegible] amount £266,170 (£205,476) has been dealt with in the [illegible] of Qualcast Limited.)

CONSOLIDATED PROFIT AND LOSS APPROPRIATION ACCOUNT
YEAR ENDED 30TH JUNE 1958

	£	£	1957 £
BALANCE transferred from Consolidated Profit and Loss Account		504,615	214,344
Deduct:			
Special Provision for Taxation (See Note 1 on page [539])		115,365	—
		389,250	214,344
Add:			
Balance brought forward from 30th June, 1957:			
Qualcast Ltd	98,652		108,695
Subsidiaries	129,774		120,906
		228,426	229,601
		617,676	443,945
DIVIDENDS for the year to 30th June, 1958, less Tax:			
QUALCAST LTD:			
Preference Dividend paid 31st Dec., 1957, and 30th June, 1958	3,019		3,019
Interim Ordinary Dividend of 7½% paid 30th April, 1958	67,627		50,781
Proposed Final Ordinary Dividend of 16½% payable 29th Oct., 1958	148,779		111,719
	219,425		165,519
SUBSIDIARY COMPANIES:			
Minority Preference Shareholders (paid)	7,576		—
		227,001	165,519
		390,675	278,426
TRANSFER TO GENERAL RESERVE—Qualcast Ltd ..		50,000	50,000
BALANCE CARRIED FORWARD			
Qualcast Ltd	95,397		
Subsidiaries	245,278		
		£340,675	£228,426

COMPARATIVE TABLES OF CAPITAL AND PROFITS OVER 10 YEARS FROM 1949 TO 1958

CAPITAL EMPLOYED					FIXED ASSETS			PROFITS							
Years ended 30th June.	Issued Share Capital of Qualcast Limited.	Reserves and Unappropriated Profits including Future Tax.	Interest of Outside Shareholders.	Total Capital Employed.	Freehold and Leasehold Properties.	Plant Machinery and Equipment.	Current Assets less Current Liabilities.	Years ended 30th June.	Profit before providing for Taxation.	Taxation after Adjustments for Previous Years.	Outside Shareholders' Proportion.	Profits Retained.	Net Dividends.	• Gross Rate Paid on Issued Ordinary Share Capital.	Equivalent Gross Rate on Ordinary Shareholders' Capital Employed.
	£	£	£	£	£	£	£		£	£	£	£	£	%	%
1958	1,643,162	2,550,510	219,564	4,413,236	696,940	701,422	3,014,873	1958	1,173,687	784,437 (See Note 1.)	7,576	162,249 (See Note 2.)	219,425	24	9.14
1957	1,252,537	1,244,043	—	2,496,580	581,594	455,226	1,459,759	1957	547,283	332,939	—	48,825	165,519	24	11.67
1956	1,252,537 10% Scrip Issue	1,275,755	—	2,528,292	578,543	498,686	1,451,062	1956	800,567	430,899	—	204,149	165,519	24 10% Scrip Issue	11.52
1955	1,145,488	1,161,858	—	2,307,346	516,611	471,899	1,318,835	1955	771,314	397,352	—	223,282	150,680	24	11.51
1954	1,145,488 50% Scrip Issue	923,495	—	2,068,983	477,107	445,196	1,146,679	1954	688,185	419,249	—	148,295	120,641	20 50% Scrip Issue	10.74
1953	788,659	1,063,340	—	1,851,999	469,905	408,749	973,344	1953	580,670	352,160	—	137,373	91,137	22½	9.04
1952	788,659 100% Scrip Issue	876,789	—	1,665,448	461,573	377,845	826,029	1952	634,748	408,673	—	139,018	87,057	22½ 100% Scrip Issue	10.10
1951	431,829 5% Scrip Issue	1,026,125	—	1,457,954	320,202	279,415	858,336	1951	572,004	327,189	—	167,059	77,756	40 5% Scrip Issue	10.32
1950	414,837 100% Scrip Issue	789,737	—	1,204,574	312,236	214,483	677,854	1950	377,173	207,766	—	105,773	63,634	32½ 100% Scrip Issue	9.78
1949	244,919	847,180	—	1,092,099	247,301	167,363	677,434	1949	409,315	212,837	—	132,845	63,633	65	10.86

NOTE:—5 Scrip issues have increased a holding of 100 Ordinary Shares in 1949 to 693 in 1955.

NOTES.—1. £669,072 excluding Special Taxation Reserve £115,365
2. £277,614 including Special Taxation Reserve £115,365

CITY NOTES

LIFTING of the remaining hire-purchase controls has given the stock-markets the incentive necessary for further strength. Before the news of the Government's fresh action in the 're-expansion' field, the market was tending to look more than a little tired and clearly a fresh driving force was needed.

Following the news there was an obvious move to mark up prices for the shares of companies in the domestic appliance, radio and television, motor and hire-purchase finance industries, even though share prices had already discounted the development to a considerable degree.

In the stock-market as a whole, new equity buying is now on a very selective basis and there is much searching for 'overlooked' shares outside the recognized investment front rank.

Meanwhile a number of sections of the market are subdued by the evidence of continued production shortfall and the recession in new business. Shipbuilding shares have been particularly affected in this way.

The Government's fresh credit moves have not noticeably strengthened the opinion that a reduction in Bank rate forms an immediate part of the re-expansion policy.

RATES AND PRICES

Closing prices, Wednesday, October 29th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

Aug. 22	£3 14s 6·25*d*%	Sept. 26	£3 12s 6·10*d*%
Aug. 29	£3 15s 2·47*d*%	Oct. 3	£3 14s 1·39*d*%
Sept. 5	£3 14s 0·93*d*%	Oct. 10	£3 13s 0·72*d*%
Sept. 12	£3 13s 6·81*d*%	Oct. 17	£3 12s 3·08*d*%
Sept. 19	£3 11s 9·20*d*%	Oct. 24	£3 13s 7·94*d*%

Money Rates

Day to day	2¾–3⅜%	*Bank Bills*	
7 days	3¼–3⅜%	2 months	3 11/16–3¾%
Fine Trade Bills		3 months	3 13/16–3⅞%
3 months	4½–5½%	4 months	3 13/16–3⅞%
4 months	4½–5½%	6 months	3 13/16–3 15/16%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 9/16–11/16	Frankfurt	11·69½–¾
Montreal	2·72 3/16–¼	Milan	1744¾–5¼
Amsterdam	10·56½–¾	Oslo	20·00–00½
Brussels	139·56–56½	Paris	1176½–¾
Copenhagen	19·33½–¾	Zurich	12·22½–¾

Gilt-edged

Consols 2½%	52¼	Funding 4% 60–90	88xd
Consols 4%	76	Savings 2½% 64–67	83 1/16xd
War Loan 3½%	67 7/16xd	Savings 3% 55–65	89¼
Conversion 3½%	67⅞	Savings 3% 60–70	79 13/16
Conversion 3½% 1969	86 9/16	Savings 3% 65–75	74¾
Exchequer 5½% 1966	102 1/16	Treasury 2½%	50 5/16
Funding 3% 66–68	83 11/16	Treasury 3½% 77–80	77 11/16
Funding 3% 59–69	81⅞	Treasury 3½% 79–81	76 13/16
Funding 3½% 99–04	74½	Victory 4%	95½

Electronics in the Office

New Low-cost Computer

A NEW, low-cost computer, known as the F 2000, offering small and large businesses new speed and economy in handling figuring tasks, has been introduced by Burroughs Adding Machine Ltd. It is claimed that the computer provides greater programming flexibility than that of machines costing thousands of pounds more, and will enable businesses of all kinds dealing with frequent and repetitive calculating operations to enjoy the advantages of computer techniques.

The F 2000 Computer consists of a basic Burroughs sensimatic accounting machine combined with a computer mechanism. Basic components of the computer include multiplier, multiplicand, and product accumulator storage with up to eighteen memory units, which may be used to store factors or accumulated data.

In addition, the computer possesses mechanical programme selector units by which four or more routines may be programmed on each interchangeable selector unit. These selector units control all the mathematical functions using factors or data from any one of the eighteen memory storage units.

Although virtually all F 2000 computer operations are automatic, the computer is stated to be adaptable to operations which require by-passing programmed routines. Three special purpose keys enable the operator to override any programme on the programme selector unit.

Mechanizing Miners' Pay

THE mine-worker's pay structure, based on traditional practice, is unlike any other pay system in modern industry. In the south-west Durham coalfields the latest electronic machines will compute his wage and, at the same time, provide pit managers with figures which enable them to keep a watch on production costs.

This will be the result of the installation by the National Coal Board, of Type 555 Hollerith Electronic Calculators now undertaking the first steps towards centralized weekly wage and costing calculations for over 17,000 mine workers belonging to sixteen pits in this area. It is a stage in a development programme bringing electronics into the service of the National Coal Board. Many factors have to be brought into account in computing a miner's weekly pay, quite apart from the normal P.A.Y.E. and other deductions. In the south-west Durham area alone there are ultimately something like 350,000 individual calculations each week, and more than 900,000 detailed pay advices a year are prepared.

Electronics at Boots

BOOTS Pure Drug Company is embarking on one of the most interesting schemes of electronic accounting in this country. The programme is in two parts, involving sales accounting and stock control respectively.

An electronic eye known as ERA (Electronic Reading Automation) will be installed at the company's Nottingham offices next February. It will be able to identify printed figures from till rolls supplied direct from the branches and to feed them at the rate of 250 characters per second into a specially designed calculator which will analyse the figures in the various ways needed for control. It will deal with the accounting work which at present occupies a staff of 150. To provide a till roll which can be read by the machine, specially modified cash registers made by a Norwegian manufacturer will be gradually installed in the company's branches to print records of a suitable type.

The other half of the programme involves the installation of an 'Emidec' computer. The computer will maintain a perpetual inventory of all the 60,000 lines stocked in Boots' warehouses. It will show immediately how stocks of each item fluctuate with orders from the branches and can give warning automatically whenever certain stocks fall below a critical level.

The computer will automatically sort the orders into the sequence in which they are stocked in the warehouse thus making much easier the task of assembling them for dispatch.

Computing Soldier's Pay Accounts

THE Royal Army Pay Corps is to install an electronic computing system to keep the central pay records for all soldiers of the Regular and Reserve Army. It is hoped that the system will be in operation by January 1961. The pay records of every man will be maintained on magnetic tape which can be scanned, read or written at a speed of 900,000 characters a minute. Each tape reel holds over five million characters of information, and up to 100 of these can be used at any one time with the computer. The records can be adjusted at electronic speed whenever a claim, 'casualty' or payment is made. End-of-the-quarter statements which each man receives, and which can be printed at 500 lines a minute, will show the opening balance, all entries during the quarter, as well as the balance due at the quarter end.

Although existing paying methods in the unit will be retained, accurate and efficient central accounting will result in much less correspondence, and it is expected that the cost of the new installation will be met from staff savings during the first few years of the system's operation.

This is the second large-scale computer to be installed by IBM United Kingdom Ltd in the United Kingdom; the first was installed by the Atomic Energy Authority in 1957.

Birmingham Computer Conference

A FURTHER conference in the series 'Electronic digital computers and their industrial applications' will be held on Wednesday, December 10th, at the College of Technology, Gosta Green, Birmingham, 4, when staff members of I.B.M. United Kingdom Ltd will deliver talks on data processing machines available; commercial applications of the I.B.M. 650; technical applications including linear programming, and organization and preparation for electronic data processing.

During the course of the day three 16-mm. sound films illustrating I.B.M. machines will be shown. The conference fee is £2 and further details and application forms can be obtained from the Registrar of the college.

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3½%	January 27th, 1955
4½%	February 24th, 1955
5½%	February 16th, 1956
5%	February 7th, 1957
7%	September 19th, 1957
6%	March 20th, 1958
5½%	May 22nd, 1958
5%	June 19th, 1958
4½%	August 14th, 1958

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THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

DINNER IN GUILDHALL

The Institute of Cost and Works Accountants gave a dinner in Guildhall, London, on Friday, October 24th. The President, Mr H. J. Furness, F.C.W.A., presided, and the distinguished company, which numbered over 600, included The Rt. Hon. The Lord Mayor and the Sheriffs of the City, The Rt. Hon. The Viscount Monckton of Brenchley, P.C., K.C.M.G., K.C.V.O., M.C., Q.C., The Rt. Hon. The Lord Radcliffe, P.C., G.B.E., Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., and W. Dirkse-van-Schalkwyk (*Acting High Commissioner for the Union of South Africa*); J. E. Harris, B.COM., F.A.C.C.A. (*Vice-President, Association of Certified and Corporate Accountants*); H.E. the Rt. Hon. Sir Eric Harrison, K.C.V.O. (*High Commissioner for Australia*); J. W. Hough, O.B.E., F.I.M.T.A., F.S.A.A. (*President, Institute of Municipal Treasurers and Accountants*); The Rt. Hon. The Viscount de l'Isle, V.C., P.C., D.L.; R. I. Marshall, B.COM., C.A. (*President, The Institute of Chartered Accountants of Scotland*); H.E. Mr H. J. McCann (*Ambassador for the Republic of Ireland*); H.E. Mrs V. L. Pandit (*High Commissioner for India*); C. U. Peat, M.C., M.A., F.C.A. (*Vice-President, Institute of Chartered Accountants in England and Wales*); A. E. Samuels (*The Rt. Hon. the Chairman of the London County Council*); J. Walker, C.B.E., C.A., F.C.A. (*President, Institute of Chartered Accountants in Ireland*); and many other representatives of the professions, the City, industry and the Press.

Lord Mayor's Offices and Duties

Mr Harold Wilmot, C.B.E., F.C.W.A., a member of the Council and a Past President of the Institute, proposed the toast of 'The Lord Mayor and the Corporation of London and the Sheriffs'. In the course of his speech [illegible]d:

'[illegible]ay that the Lord Mayor must be a man of many [illegible] is to make the grossest of understatements. The endless calls upon his time and energy demands very high qualities of mind and character and great physical stamina as well as the adaptability of a quick change artist. In every way he must be a veritable giant amongst men. The Lord Mayor must be prepared to deal with matters affecting almost every aspect of London. He is Chief Magistrate of the City; at the principal criminal court of the realm he takes precedence even to the Lord Chancellor, thus preserving the ancient privilege that only citizens shall be tried by citizens. He presides over the aldermen and Court of Common Council. In the City of London he ranks next after the sovereign. He is the focal point of national charity and as occasion arises, calamitous or otherwise, he acts as receiver, treasurer and almoner for the whole country. His hospitality must be boundless. It is frequently his duty to welcome and entertain on behalf of the nation eminent persons and personages who are the guests of the State.'

In referring to the City Corporation and the Sheriffs, he said:

'[illegible]e corporation, to whom we are deeply indebted for allowing us to meet in this historic place, is the Mayor and commonalty of the citizens. The earliest mention is in the City archives of 1285 and throughout the years it has jealously guarded the rights and privileges conferred on it by successive monarchs. . . .

'I mentioned earlier a few of the duties which take up every minute of the Lord Mayor's day. He would be overwhelmed if he did not have the support of his Sheriffs, and we offer a welcome this evening to Mr Alderman and Sheriff Ralph E. Perring and Mr Sheriff John E. Evan Cook. (*Applause.*) The office of sheriff is even older than that of the Lord Mayor and it has a longer history than that of the Common Council. The sheriffs share the majority of the Lord Mayor's duties, attend him on official business, and help in the entertainment of his guests and in his works of charity. . . .'

Replying to the toast, the Lord Mayor said:

'I was particularly pleased to be present at this dinner in Guildhall this evening, for the sands of my year of office as Lord Mayor are fast running out, and this is the last opportunity that I shall have of replying to this toast in Guildhall.'

After recounting some of the duties he had been called upon to perform during a memorable year of office, the Lord Mayor continued:

'The corporation, I know, have been delighted to allow The Institute of Cost and Works Accountants the use of Guildhall for this banquet. Your members form an integral part of the life of the City of London. They hold appointments, many of them at the highest level, in industry, commerce and trade, and as I have said on so many occasions during my year of office, the City of London is the centre of trade in the British Commonwealth. I personally know little or nothing of costing, but even the little grey matter I do possess tells me that without an adequate costing system no business can prosper.'

Growth and Work of the Institute

The toast to 'The Institute of Cost and Works Accountants' was proposed by Viscount Monckton, who said in the course of his speech:

'We are on the eve of your fortieth anniversary and one can look back at the time, forty years ago, when there were but a handful of people who were members of the Institute. In the years that have followed, you have risen to 6,000 members and some 15,000 registered students, and that seems a pretty satisfactory position.'

He then referred to the aims of the Institute and the work which its members perform, and continued:

'The work of Institute members is not only an essential part of the management of any great undertaking, but it touches management at every possible place. The whole field of human activity and human behaviour has its impact on the work of this Institute, and the Institute touches it everywhere. . . . The work of the Institute would be useless unless all its members had their eyes firmly fixed not only on costs but on human relations. But I know, reading of what you have done, that you do not overlook the fact that whatever your calculations and your work in industry may lead you to, it would be wasted work unless you thought about the importance of human relations in every sphere of management. (*Applause.*)

Responding, Mr Furness expressed his personal thanks and the thanks of members of the Institute for the gracious way in which Viscount Monckton had proposed the toast and said:

'As chairman of one of the largest banks, and as President of the Institute of Bankers, the calls upon your time are undoubtedly heavy and I am deeply appreciative of your interest in the Institute which has led you to accept the invitation to be with us this evening. May I venture to suggest that your interest may not be entirely objective and that perhaps you may have been prompted by a desire to have a look at the people to whom is entrusted the task of aiding management in the effective use of capital resources and funds, some of which will have originated from your bank. (*Laughter.*)

'Never before in our history have bankers been so conscious of the need for fertilizing the industrial world, both here and overseas, with financial resources – gone are the days when banks were willing to lend an umbrella for wet days which had to be returned on fine ones.

'The effective utilization of money in industry is the prime concern of our profession and the Institute's curriculum and training, which are under constant review, are directed towards this end.'

Industrial Changes

Mr Furness went on to refer to the revolutionary changes in industrial life in recent years. These changes were still gathering impetus and in the relatively short life of the Institute the technical progress which had been made throughout the world had been startling and was probably without parallel in history. He continued:

'Projects which are under way will confirm the status of this country for generations to come and greatly enrich our standards of life. In less than a hundred years, economic progress has brought with it more social progress, in its widest sense, than in the previous thousand.

'In the next few decades, nuclear energy, the expansion in the use of electronics and automation, will have created material conditions which will enable the growing wants of mankind to be satisfied.

'The benefits which science has given us must be harnessed effectively for increasing the productivity of our factories and improving our industrial efficiency, so that we in this island, with so very few natural resources and largely dependent, as we are, upon our manufacturing skills, can share in these developments.

'In the economic sense, the development of freer trade in Europe will be a further step in this overall picture of revolutionary change. Free trade in Europe must inevitably be a two-way business – although the overall market will be much larger there is little doubt that competition is likely to be extremely fierce – we have not only to look *outward* to these new markets but also to look *inwards* to our own abilities to maintain our present markets and expand into these new ones. Furthermore, the trend toward the creation of secondary industries in many of the primary producing countries will further tax our ability to compete.

'All these things – scientific advancements, the awakening of men of wide vision to the benefits of economic (and possibly political) unity in Western Europe, the development of the poorer countries of the world – will demand an increasingly high standard of professional skill for us to retain and improve our position.'

Interpretation of the Results of Accounting

Mr Furness said that the Institute had directed its activities toward the development of special techniques, which not only embraced pure accounting methods, but to a much greater degree the interpretation of the results of accounting for the guidance of those responsible for the efficient management of industry. He added:

'Business today is becoming so complex and so increasingly competitive, that we cannot go on "making do" with skills of a pre-war standard in a post-war era.

'Members of our profession must study and understand these rapid advances and innovations, so that we can provide a service to management which will reduce errors of judgment to a minimum.

'We shall continue with all the energy at our command, developed through research and through training, to produce skilled management accountants, with a broad concept of industry and commerce, who will match up to this new era which lies before us.' (*Applause.*)

The Guests

The toast of 'The Guests' was proposed by Mr W. S. Risk, B.COM., F.C.W.A., a Vice-President of the Institute, who said:

'It is not possible to refer individually to our guests, distinguished though they may be, who come from the Church, the House of Lords, the House of Commons, the Diplomatic Corps, the civic authorities – including you, my Lord Mayor – the law, kindred societies, industrialists, civil authorities, the Stock Exchange, the Press, and last – but by no means least – the banks, represented among others – and I have no ulterior motive (*laughter*) – by our illustrious principal guest, Lord Monckton (*hear, hear*). To these guests in their official capacity and as individuals, I am privileged to say on behalf of the Institute and its members: "We warmly welcome you here this evening. We are honoured, we are proud, and we are pleased to have you with us on this momentous occasion, and indeed, it is your presence here which makes it so".'

Tribute to Mr Stanley Berger

He went on to refer to the recent retirement of Mr Stanley Berger after serving the Institute for thirty-three years in the office of director and secretary. Mr Risk continued:

'It is given to few men to have such singleness of purpose in life and to have such visible and tangible evidence of the success of their efforts. If any proof is needed, this assembly tonight is evidence enough. . . . It would be presumptuous of me to try to describe in a few moments the work of a lifetime, and I will not endeavour to do so. He has built this Institute with endurance and faith, and he has our respect and gratitude and affection. The late John [illegible] said: "We can repay our debt to the past only by [illegible] the future in debt to ourselves". We owe a great debt to Stanley Berger which we can best repay by carrying on, to the best of our ability, the work he started and by remembering Drake's prayer: "O Lord God, when Thou givest to Thy servants to endeavour any great matter, grant us also to know that it is not the beginning, but the continuing of the same, until it be thoroughly finished, which yieldeth the true glory".

'We wish Stanley Berger and Mrs Berger health, happiness and contentment in the years to come.'

The first response to the toast of 'The Guests' was given by Lord Radcliffe, who concluded a most entertaining speech as follows:

'Thank you very much for your admirable entertainment and for the chance of it taking place in this historic Guildhall. It is so good to remember that the City does not by any means only stand for a place in which a number of clever gentlemen are trying to be clever at the expense of other clever gentlemen (*laughter*). Here in Guildhall you are reminded it is part of the history of this country and that here have been asserted the liberties which have [illegible] the greatness of this country.' (*Applause.*)

The second response and the concluding speech of the evening was made by Mr Stanley J. D. Berger, O.B.E., M.C., F.C.I.S., in the course of which he said:

'From the earliest days of my association with the

Institute I have had faith in its ultimate usefulness. Over the years I have received many rewards but the greatest of all has been the satisfaction of seeing and living through the time and events which have proved and justified that early belief. Tonight is one of those events.

'It is easy to speak of faith in retrospect when the goal has been reached but I can assure you that one small room, one office clerk, a bank overdraft and total assets of a very second-hand desk, a couple of chairs and a decrepit typewriter were not exactly conducive to either faith or enthusiasm but like all success stories, it is the potential which counts.

'I believe there is a Bible injunction to the effect that faith can move mountains; but in itself it could not remove either our overdraft or our obscurity, but coupled with much thought, much effort and close teamwork, it has done both. Here let me pay tribute to those early pioneers who helped to blaze the trail and to make the vision come true.'

Support and Co-operation

Mr Berger went on to express his gratitude for the support and co-operation he had received throughout his years of service from the Institute officials and staff, branch secretaries, officials and members of sister accountancy organizations and kindred bodies.

'Such co-operation,' he said, 'has not been limited to these islands and my grateful thanks go out to many friends and collaborators in the British Commonwealth countries, in America, France and other European countries, the Middle East and the Far East.'

He paid tribute to his wife, who, he said, 'for thirty-three years has consistently encouraged, sustained and supported me in my work and has made sacrifices in no small way for the benefit of the Institute'. He concluded:

'And so, gentlemen, my innings is over. I return to the pavilion with no great score to my credit but with a grateful heart. Although my responsibility to the Institute has come to an end, my task, commenced thirty-three years ago, has still to be continued. Given the same faith, the same goodwill and the same co-operation in the future, as has fallen to my lot in the past, the Institute is, I am sure, destined to a yet more useful and glorious future. May God bless you and thank you all. (*Applause*)

Music was provided during the evening by the orchestra of the Coldstream Guards.

ACCOUNTANTS AND INFLATION

Leeds President's Comments at Annual Dinner

Speaking at the annual dinner of the Leeds, Bradford and District Society of Chartered Accountants on October 24th, Mr G. N. Hunter, J.P., F.C.A., President of the Society, said that the problems which inflation placed before the chartered accountant could be compared to those of an architect if the standard yard was a length of elastic whose stretch was gradually released as the years progressed.

'In fact', he declared, 'our job in these days is something like that, with the exception that our standard of measurement is a unit of currency whose value is ever diminishing.'

'I think some reference should be made to the popular view that the provision for depreciation should be based on what is required to replace fixed assets on current values, instead of on historical cost.

'If this theory is applied to cost it may well increase price and add to the inflationary tendencies.

'If the theory is applied to the computation of profits for taxation the result may be to reduce the taxation relief which would otherwise be available for personal taxpayers.

'If the theory is applied to the computation of profits for distribution it tends to reduce the income of investors, some of which would be saved for reinvestment in industry. It also may reduce the ability of a business to raise new capital.'

Mr Hunter said that important as it was to solve the accounting problems arising out of inflation, it was ten times as important to prevent inflation itself. He was very glad to hear the Chancellor of the Exchequer say in Leeds that this was number one priority in the Government's economic policy.

Record Attendance

Nearly 480 members and guests – a record attendance – were present at the dinner which was held at *The Queen's Hotel*, Leeds. Mr Hunter presided and among the guests were Mr W. L. Barrows, LL.D., F.C.A., President of The Institute of Chartered Accountants in England and Wales; Alderman Mary Pearce, J.P., Lord Mayor of Leeds; Mr Christopher York, D.L., and Mr G. H. Hall, President of the Bradford Incorporated Law Society.

Mr Barrows responded to the toast of 'The Institute of Chartered Accountants in England and Wales', proposed by Mr Christopher York, and said:

'Today is United Nations Day and I quote a most important statement in the Charter, which is the main object of the United Nations, namely: "To . . . live together in peace . . . as good neighbours". That also wants to be the theme of our district societies and branches. Fortunately the Institute is a happy association, and I am delighted to see so many here this evening who have become members of the Institute as a result of the integration scheme with the Society of Incorporated Accountants.'

Continuing, Mr Barrows said:

'During this year a subcommittee of your Society has been considering whether it was desirable for the Society to divide into two bodies, one for the Leeds District and another for the Bradford District, and possibly to reconstitute the Society on a federal basis. I am glad that the conclusion has been reached that a separate society for Bradford is inadvisable and that reorganization on a federal basis is not really practicable. I think you have come to the right conclusions.'

Examination Successes

Mr Barrows went on to refer to the remarkable successes which students from the Society's area had obtained in the May 1957 examinations. Five out of the first six places in the Final were taken by students from the area.

In a tribute to the administrative staff of the Institute Mr Barrows said:

'With so many guests present you will not want me to make reference to the internal affairs of the Institute, but

I should like to pay tribute to the Secretary, Mr MacIver, and the staff at Moorgate Place for the wonderful job which they have carried out in connection with integration. The building opposite Moorgate Place has been in the course of demolition and the noise and bedlam have been fantastic. As I said at the autumn meeting, we are extraordinarily well served.'

Referring to the appointment of the Education and Training Committee, under the chairmanship of Mr W. E. Parker, C.B.E., F.C.A., Mr Barrows said that a mammoth task lay ahead of them and any help that any member might give them would be very much appreciated.

Alderman Mrs Mary Pearce responded to the toast of 'The Guests' and Mr G. H. Hall, who also replied, referred to the accountant's close link with the lawyer. He suggested that it would be a good thing if the law student, during his period of articles, were to spend a short time in the office of a practising accountant, and an accountancy student to spend a similar period in a solicitor's office.

BISHOP'S TRIBUTE TO THE PROFESSION

Coventry Chartered Accountants' Annual Dinner

Very few firms today do not have chartered accountants on the board or somewhere near it, said the Bishop of Coventry, Dr C. K. N. Bardsley, proposing the toast of 'The Institute of Chartered Accountants in England and Wales' at the annual dinner of the Coventry Area Branch of the Birmingham and District Society of Chartered Accountants on October 23rd at *The Hotel Leofric*, Coventry.

'The more I see of chartered accountants the more I see you are on the ascent,' said Dr Bardsley. 'You are taking a bigger and bigger part in industry. You are specialists in your own line, but I would like to see the day when every specialist in every subject had gone through an arts degree. It gives one a wide perspective.'

Mr J. R. Mead, J.P., F.C.A., Chairman of the Branch, presided at the dinner and among the guests present were Mr W. L. Barrows, F.C.A., President of The Institute of Chartered Accountants in England and Wales; Alderman H. H. K. Winslow, J.P., Lord Mayor of Coventry; Dr C. K. N. Bardsley, Lord Bishop of Coventry; Sir Halford Reddish, F.C.A., Chairman and managing director, Rugby Portland Cement Co Ltd; Mr Charles Barrett, LL.B., Town Clerk of Coventry.

Progressive City

Proposing the toast of 'The City of Coventry', Sir Halford Reddish said:

'I am firmly resolved this evening, in spite of the temptation presented to me by the name of this hotel, and in spite of the reminder which I saw outside as I crossed Broadgate, to make no mention of ancient legend. Nor do I propose to dwell on a less exciting, and perhaps less reputable, incident in the city's history which has bequeathed to us a phrase all too often heard in industrial circles today.

'Coventry enshrines for me the very earliest memory that I have in this life. For I was born here, and at a very tender age I distinctly remember being hoisted on to the shoulders of my father to see the lights on the occasion of the relief of Mafeking.

'At this distance of time I cannot pretend to be able to tell you what impressions that sight made upon me nor what my mental processes were. I can only assume that having looked at Coventry from a rather greater height than ever before I took rather a poor view of it, because very shortly afterwards I took my father and my mother away from this city.

'Apparently I thought there was no future for me here. How wrong I was. For in my lifetime the population of Coventry has multiplied four times.'

Sir Halford added that he returned to Coventry at the beginning of the First World War to be articled to one of the members of the original Council of the Institute when it was formed in 1880, Edward Thomas Peirson. He continued:

'I think it was Sir James Barrie who wrote a letter to a friend about a cricket match in which he had taken part. In the first innings, he said, "I made one run, but in the second innings I was not so successful". Well, I have to confess that whereas my first stay in Coventry lasted for some two years my return lasted only a few weeks, because I then went off to spend some four years in a very close study of the waterlogged subsoil of France.

'But when I returned, it was in close contact with the two sons of Edward Thomas Peirson that I gained a wide insight into professional and business life for which I shall ever be grateful.

'I can think of no better place in which to gain such experience, for Coventry is a dynamic, progressive city, ever ready to change with the times, to be in the van of progress, yet always drawing strength and inspiration from the great traditions of its past.'

Replying to the toast, the Lord Mayor, Alderman Harold Winslow, said that Coventry was looking forward to just as glorious a future as it had had in the past.

'Anyone going to the Motor Show can be proud to say he came from this city. We have lost the saying of "being sent to Coventry". It is a pleasure to come now. People come from all over the world to see our redevelopment and replanning and they all go away feeling very pleased with what they have seen.'

Success of the Branch

Responding to the toast of 'The Institute of Chartered Accountants in England and Wales' proposed by Dr Bardsley, Mr Barrows said:

'Normally the President of the Institute does not visit a branch during his year of office, but I felt that living under ten miles from Coventry and having regard to my close, personal association with your city and branch, that I must make every effort to attend.

'I was in at the conception and birth of your branch, following an approach made to me, when President of the Birmingham and District Society, by Mr Leech and the late Mr W. P. Hale. I was present at the inaugural meeting held in May 1948 and I have watched with great interest the activities and steady expansion of the branch and particularly the development of your students' society.'

Mr Barrows praised the organization and running of the Branch which he described as an example to the rest of the country; the Branch now has a membership of 120.

The toast of 'Our Guests' was proposed by Mr Mead and Mr Charles Barratt replied.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

TAXATION AND RESEARCH COMMITTEE

The ninety-ninth meeting of the Taxation and Research Committee was held at the Institute on Thursday, October 16th, 1958, at 2 p.m.

Present: Mr E. N. Macdonald, D.F.C. (in the chair); Messrs R. D. R. Bateman, M.B.E., C. V. Best, A. Blackburn, R. P. Brown, K. A. Buxton, W. R. Carter, . Cartner, J. B. L. Clark, C.B.E., L. H. Clark, H. O. H. Coulson, A. R. English, F. J. Eves, C. R. P. Goodwin, N. B. Hart, O.B.E., T.D., J. S. F. Hill, G. N. Hunter, . A. Jackson, S. Kitchen, R. P. Matthews, C. F. Millard, G. P. Morgan-Jones, F. S. Mowforth, C. J. Peyton, A. H. Proud, D. W. Robertson, W. G. A. Russell, H. Eden Smith, B. D. Shaw, H. C. Shaw, A. E. Spicer, D. Steele, D. E. T. Tanfield, A. G. Thomas, D. T. Veale, J. W. Walkden, T. S. Welch, A. Whittaker, E. K. Wright and G. H. Yarnell, with he Secretary.

Address by the President of the Institute

The President of the Institute, Mr W. L. Barrows, LL.D., F.C.A., attended the opening of the meeting. In eply to a speech of welcome by the Chairman, the President said:

It has now become traditional for the President of he Institute to attend the first meeting of the Taxation nd Research Committee in its new year and to express he hope that members may find their deliberations n the coming year both interesting and fruitful. This s a special pleasure for me because, as you have lready heard from your chairman, I was one of the ounder members of the committee.

In retrospect the past year of the committee will be ooked upon as showing much evidence of the success of its work. Since October 1957 the Council has pproved for publication, or for submission to the ppropriate minister or Government department, the ollowing documents in the preparation of which the ommittee has taken a substantial and major part:

Statement on the Cheques Act, 1957.
Memorandum on Schedule E Expenses Rule.
Memorandum on the Finance Bill, 1958.
Statement on Accounting by Electronic Methods.
Recommendations on the form of balance sheet and profit and loss account, and the treatment of income tax in accounts.

A Hard-working Body

The President referred to other matters under consideration by the committee and continued:

In my address to the recent autumn meeting of the Institute I was pleased to pay tribute to the Taxation and Research Committee as being a hard-working body which receives very little publicity. I also said hat the formation of the committee had been one of he most valuable steps taken by the Institute in establishing and implementing a policy of giving positive assistance to members in their task of maintaining, improving and extending the services provided by the profession. I also expressed the view that basically a member of the Institute, whatever he does, is a member of the accountancy profession; his problems and interests are the same whether he is in industry or commerce or in practice.

This leads me to one aspect of your committee which gives cause for some disappointment. Out of a total of fifty-two members, only some nineteen or twenty are in industry or commerce and I do hope that you will look closely at this aspect of your affairs and see whether it is possible for a greater proportion of your membership to be drawn from industry and commerce. I know this is difficult but the nearer you can get to equal proportions as between practising and industrial members the better it will be for the conduct of the committee's work.

Membership of the committee is, of course, no sinecure as those who are today attending for the first time will soon discover. I do not think one can overemphasize the importance of ensuring that anyone appointed to membership of the committee should be certain that he can give the necessary time. This is a responsibility of both those who have the task of nominating members of the committee and those who accept nomination. Without the willing co-operation of partners, co-directors, employers or other colleagues it is virtually impossible to give effective service on the Taxation and Research Committee.

It is not only the time involved in attending meetings which one has to consider. Many subjects require a good deal of thought in advance of meetings and not infrequently the undertaking of a certain amount of drafting. For those outside London the travelling time is also a material consideration. Moreover there are some matters which require very frequent meetings and others, such as finance bills, which call for urgent attention at short notice. These are some of the more important factors which result in membership of the main Taxation and Research Committee being a burden which should not be assumed lightly. In any team those who are unable to pull their weight are inevitably a drag on those who can. Fortunately the regional committee of each district does provide a reasonable opportunity for those who are unable to spare the necessary time to travel to London. These regional committees do excellent work.

Functions of the Committee

It is not for me to tell the committee how to do its work, but there is one thought which I would like to leave with you. The function of the committee is to assist the Council in an advisory capacity in connection with accounting principles, taxation matters, and other technical questions concerning the profession. It is essentially an advisory and not an executive body. The final decisions have to be made by the Council on the advice of its appropriate committee which in the case of documents emanating from the Taxation and Research Committee is normally the Parliamentary and Law Committee. Where it is evident from discussions in one of your sub-committees that there are two or more lines of approach which the Council might adopt it is I think in general desirable that the committee should avoid exerting too much energy in endeavouring to determine which is the more desirable line. It may often be far preferable for the committee to set out the alternatives from which the Council can eventually make its choice. In this connection I would mention that the machinery for consideration by joint representatives and for the attendance of representatives of the Taxation and Research Committee at meetings of the Parliamentary and Law Committee should make it unnecessary for the Taxation and Research Committee to attempt to put the final polish on its documents. This can be done at a later stage when their substance has been settled.

Mr Chairman, may I congratulate you on your appointment to preside over the committee's affairs for the ensuing year. You, and all its members, have the sincere good wishes of the Council.

Membership

The Chairman extended a warm welcome to the following new members of the Committee:

Mr J. S. F. Hill, *Nottingham*; Mr B. D. Shaw, *East Anglia*; Mr H. C. Shaw, *Hull*; Mr D. Steele, *Leeds*; Mr T. S. Welch, *Sheffield*; Mr A. Whittaker, *Northern*.

It was agreed that letters of appreciation for thei services be sent to the following who have retired fro membership of the Committee: Mr S. Dixon (1951-58); Mr G. G. G. Goult (1942–58); Mr S. C. Han (1946–58); Mr F. M. Kellett (1954–58); Mr G. W Knight (1955–58); Mr L. W. Underwood (1955–58)

Standing Sub-Committees

Reports from the following Standing Sub-Committee were received:

General Advisory Sub-Committee.
Management Accounting Sub-Committee.
Taxation Sub-Committee.
Planning Sub-Committee.

Ad hoc Sub-Committees

Progress reports were received from three specia sub-committees.

Future Meetings

The one-hundredth meeting of the Committee wil be held on Thursday, December 18th, 1958, and th following dates were provisionally fixed for meeting in 1959:

Thursday, February 19th, 1959
„ April 16th, 1959
„ June 18th, 1959
„ September 17th, 1959
„ October 15th, 1959

LONDON STUDENTS' COLUMN

News from the London Chartered Accountant Students' Committee

Mr L. G. Payne, A.C.A., has resigned from the committee owing to an increase of other responsibilities. He has served on the Committee for more than three years and we are sorry to lose his assistance.

May 1958 Examinations

The Students' Society's prizes on the results of the Institute's examinations have been awarded as follows:

	Final
Plender Prize:	T. G. R. Lawrence
Edith Sendell Prize:	L. W. Green
Howitt Prize:	L. W. Green
	Intermediate
Plender Prize:	R. J. Clark
Edith Sendell Prize:	R. C. O'Donoghue

It has also been decided, for 1958, to continue prizes previously awarded on the Incorporated examinations. As a result Mr K. W. J. Saunders has been awarded a prize of £7 7*s* following the May examination.

Whole-day Course and President's Meeting

Over two hundred students attended a most instructive and entertaining whole-day course on the day of the President's Meeting. Many students who live and work too far away to attend evening meetings took this opportunity of hearing lectures. In view of the response further courses are being arranged in future sessions. Five hundred members were present at the President's Meeting and although the Lord Mayor was unable to attend, Sir Harold Gillett, M.C., F.C.A., our recentl retired President and the Lord Mayor-Elect, welcome us to Guildhall on his behalf. At the end of the meetin a clock was presented to Sir Harold in grateful recognition of his long term of office.[1]

Informal Lunch-time Meeting

The second meet-the-committee informal lunch-tim meeting will be held on Monday next, November 3rd between 12.30–2 p.m. at Incorporated Accountants Hall, WC2. All members are cordially invited. A buffet lunch is available at reasonable prices.

Education and Training

The Council of the Institute have appointed a committee of inquiry into all aspects of education an training for the profession. As this question is naturall of considerable interest to this Society, the committee have formed a sub-committee to study th matter in detail with a view to preparing a memorandum for submission to the committee of inquiry.

Sport

The cricket match against the Birmingham Students Society ended in a draw, but that against the Solicitors Articled Clerks' Society was won. The Society also wo the tennis match against the Public Schools Old Boys

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[1] A report of the President's Meeting appeared in *Th Accountant* of October 18th.

Next Week's Meetings

The following meetings of the Society will be held during next week:

Monday, Visit to Fords Motor Works (limited number). *12.30 to 2 p.m.*, at Incorporated Accountants' Hall: Lunch-time meeting between students and members of the Committee.

5.30 p.m., at Caxton Hall: Lecture on 'Some current aspects of international finance', by Mr Leo T. Little, B.SC.(ECON.), (editor of *Accountancy*).

Tuesday: Visit to the Midland Bank (limited number). *6 p.m.:* at The Law Society's Hall, Chancery Lane, WC2: Joint debate with the Solicitors' Articled Clerks' Society on 'This house regrets that a woman can't be more like a man'.

Wednesday, 6 p.m., Lecture and demonstration of Powers-Samas Punched Card Accounting (limited number).

Thursday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lecture on 'The conduct of a typical case in the Courts', by Mr J. R. Phillips (Barrister-at-Law).

Friday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lectures: (1) 'Records leading to items in final accounts', by Mr F. R. Porter, F.C.A., A.C.W.A.; and (2) 'Partnership law', by Mr Patrick W. Medd (Barrister-at-Law).

Students are reminded that the Library and Study Room at Spencer House, South Place, EC2, are open on Mondays to Fridays from 9.30 a.m. to 5.30 p.m. The Study Room is available in the evening by prior arrangement.

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Finding and Decision of the Disciplinary Committee

Finding and Decision of the Disciplinary Committee of the Council of The Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21st, 1948, at a hearing held on September 24th, 1958.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Walter Frederick Alldritt, F.C.A., was, on May 20th, 1958, at Bow Street Magistrates' Court, convicted as liquidator of a limited company on two charges of failing to send to the Registrar of Companies a copy of the account of the winding-up of that company and the return of the holding of the final general meeting of that company, contrary to Section 290 of the Companies Act, 1948, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Walter Frederick Aldritt, F.C.A., had been proved and the Committee ordered that Walter Frederick Alldritt, F.C.A., of 112 Grange Road, Erdington, Birmingham, be reprimanded.

PERSONAL

MESSRS HEREWARD, SCOTT, DAVIES & CO, Chartered Accountants, of 3 St Helen's Place, London, EC3, and at Stoke Newington, Finchley, Palmer's Green and Barnet, announce that they have admitted into partnership Mr H. S. DAVIES, A.C.A., son of their senior partner, with effect from October 1st, 1958.

PROFESSIONAL NOTES

Mr C. W. Tyrrell, F.C.A., has been appointed a director of the reconstituted board of Sigmund Pumps Ltd.

Mr Frank W. Harper, A.C.A., has been appointed a [illegible]tor of Djasinga Rubber & Produce Co and the [illegible]e Kidoel Rubber & Produce Co.

Mr Harold W. Horner, A.C.A., has been appointed a director of the Bajoe Kidoel Rubber & Produce Co.

Mr H. L. Marsterson, A.C.A., financial director of the Westrex Co has been appointed managing director.

Mr C. H. R. Fancote, A.C.A., secretary of Bell & Nicolson Ltd, has been appointed a director of the company.

Mr W. L. McClelland, A.C.A., has been appointed commercial manager of Dunlop Footwear Ltd, Liverpool.

Mr H. W. Archibald, A.C.A., has been appointed group accountant – home, of the Dunlop Rubber Co Ltd, London.

Mr C. H. Angell, B.A., A.C.A., chief accountant of B.S.A. Tools Ltd, has been appointed a director of the company.

Mr Hugh Cowan-Douglas, C.A., has been elected an ordinary director of the Royal Bank of Scotland.

Mr R. Dawes, A.A.C.C.A., has been appointed a director of Electric and Musical Industries Ltd; he will continue to hold the appointment of Comptroller. Mr Dawes is a member of the Council of The Association of Certified and Corporate Accountants.

Mr R. N. Smellie, A.A.C.C.A., has been appointed Senior Commissioner of Income Tax for Jamaica.

OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade have announced the following appointments:

Mr Norman Saddler has been appointed an Assistant Official Receiver in the Bankruptcy High Court Department as from October 4th, 1958.

Mr Royston Bernard Howard, A.C.A., has been appointed Official Receiver for the Bankruptcy District of the County Courts of Newcastle upon Tyne, Durham, Sunderland, Stockton-on-Tees, Darlington and Middlesbrough, also from October 4th, 1958.

Mr Dennis Sidney Clackett has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Ashton under Lyne, Blackburn, Blackpool, Bolton, Burnley, Oldham, Preston, Rochdale and Stockport, as from October 6th, 1958.

Mr Albert Reginald Haigh has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Birmingham, Coventry, Dudley, Hereford, Kidderminster, Leominster, Stourbridge, Walsall, Warwick, West Bromwich, Wolverhampton and Worcester, as from October 13th, 1958.

Mr Walter William Jordan has been appointed Official Receiver for the Bankruptcy District of the County Courts of Nottingham, Boston, Burton-on-Trent, Derby and Long Eaton, Leicester, Lincoln and Horncastle, as from November 29th, 1958.

INVESTMENT ALLOWANCES (FUEL ECONOMY PLANT) ORDER, 1958

The Treasury have made the Investment Allowances (Fuel Economy Plant) Order, 1958.

Section 15 (3) (*b*), Finance Act, 1956, provides that investment allowances are to be continued for expenditure incurred after February 17th, 1956, on prescribed fuel-saving plant if it is installed by way of modification or replacement of plant in use in the United Kingdom. The Investment Allowances (Fuel Economy Plant) Order, 1957 (which superseded an earlier order) prescribes a list of fuel-saving plant and the conditions, if any, upon which such plant is prescribed. The present Order, as from the date when it comes into operation, prescribes the following additional items:

(*a*) gas-tight sealing dampers;
(*b*) necessary operating equipment for gas-tight sealing dampers, of types not suitable for use in connection with other dampers.

The Order came into operation on October 25th, 1958, and has been published as Statutory Instruments 1958, No. 1726.

LOCAL LOANS FUND: INTEREST RATES

The Treasury has announced that loans advanced to local authorities from the Local Loans Fund as from October 25th, 1958, until further notice shall carry the following rates of interest:

	Per cent	
Loans for not more than five years ..	5½	(5¾)
Loans for more than five years but not more than fifteen years	5¾	(6)
Loans for more than thirty years	5¾	(6)

The former rates, shown in brackets, were introduced on August 23rd last. The new rates apply only to future loans; the rates of interest on existing loans are unaffected.

The changes now introduced are designed to keep the lending rates of the Public Works Loan Board in line with those prevailing in the market for loans to local authorities.

COST ACCOUNTANTS' DINNER IN NORWICH

Eighty-five members and guests attended the fifth annual dinner of the Norfolk and Suffolk Branch of The Institute of Cost and Works Accountants, held recently at the Flixton Room, Norwich. The guests were received by Mr W. G. Howes, F.C.W.A., Branch President, with Mrs Howes, and by Mr H. J. Furness, F.C.W.A., President of the Institute, with Mrs Furness.

Among those present were:

The Lord Mayor of Norwich; The Bishop of Norwich; The Deputy Mayor of Ipswich; Mr E. H. Sexton, *Chairman, Sexton, Son & Everard Ltd;* Mr S. C. Tyrrell, F.C.W.A., F.B.I.M., *Joint Managing Director, Ransomes & Rapier Ltd, and a Past President of the Institute;* Mr G. N. Barrett, *President, Federated Association of Boot and Shoe Manufacturers;* Mr Derek du Pré, *Joint Secretary of the Institute;* Mr D. H. Smith, A.C.A., *President, The East Anglian District Society of Chartered Accountants;* Col. C. T. A. Beevor, O.B.E., *President, Norfolk and Norwich Incorporated Law Society;* with their ladies.

The Lord Mayor of Norwich, replying to Mr Tyrrell's proposal of a toast to the City, stressed the need for serious preparation for the coming 'bulge' in the number of school leavers who would soon be seeking worth-while employment. He thought it was not too soon to arrange a conference of all interested parties in the area.

Mr Sexton, in proposing the toast of the Institute, commented on the co-operation it had always extended to industrialists, leading to the publication of costing systems for many important fields of manufacture. In his reply, Mr Furness thanked Mr Sexton for his remarks, but pointed to the need to avoid too rigid an approach to such systems, otherwise information essential in today's highly competitive trading conditions could be overlooked. In particular, industries affected by the European Economic Community such as the Norwich shoe industry, would need a most sensitive approach to future conditions if they were to maintain or increase their share of the market.

LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

The first meeting of the autumn session of the Liverpool Society of Chartered Accountants was held on October 21st, when Mr S. J. Saunders, T.D., F.C.A., addressed members on 'The accountant and the solicitors' accounts rules'. At the second meeting of the session, to be held on November 11th, Mr E. N. Macdonald, D.F.C., F.C.A., will speak on 'The Finance Act, 1958 – income tax and profits tax', while the Society's annual dinner is to be held at *The Adelphi Hotel* on Friday, November 28th.

Discussion Group

The following meetings of the Society's discussion group of practising members are to be held at the Exchange Club:

November 25th: Open discussion. Chairman: Mr J. W. Glass, F.C.A.
January 14th, 1959: 'What is an audit test.' Chairman: Mr R. Watson, F.C.A.

Applications for membership of the group should be addressed to Mr Raymond Law, F.C.A., of Messrs W. E. & H. R. Stacey, 10–12 James Street, Liverpool, 2.

Industrial Discussion Group

A meeting of the Society's industrial discussion group has been arranged for February 12th, 1959, when there will be a joint meeting with the practising members' group to be followed by a hot-pot supper. Members of the Liverpool Society wishing to join the group are asked to write to Mr A. P. Whyte, B.SC.(ECON.), A.C.A., Merseyside and North West Electricity Board, Love Lane, Liverpool, 3.

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INSTITUTE OF ACTUARIES

President's Address

In his presidential address to members of The Institute of Actuaries on Monday, October 27th, Mr F. M. Redington, M.A., referred to State pensions and said that it was the actuary's duty to protect the future from extravagant promises of the present. He examined the two entirely different systems: 'saving in advance', as practised by most private schemes, and the 'pay-as-you-go' system of the present National Insurance. The first prepared for a future need and required firm financial discipline to ensure that contributions were faithfully accumulated. The second fitted a need that had already arisen; it was essentially a form of re-distribution and demanded the discipline of self-restraint because, without saving – and investment – in advance, the only real justification for planned promises-in-advance disappeared.

He foresaw dangers in promising high pensions which depended for their fulfilment on the interest income of a large State fund; the promises were indestructible but the funds were not. Mr Redington welcomed the fact that the Government proposals brought the national scheme under realistic discipline although at the same time he regretted the inclusion of future increases in pensions which depended for their fulfilment on future increases in the percentage contribution.

BRITISH INSTITUTE OF MANAGEMENT NATIONAL CONFERENCE

'The Challenge of Change' is to be the theme of the British Institute of Management's thirteenth national conference to be held at Brighton from November 26th–28th. The opening address at the conference will be given by Sir Harold Howitt, G.B.E., D.S.O., M.C., D.C.L., F.C.A., a member of the Cohen Council.

A wide variety of sectional meetings includes a talk on 'The science of inventory control', of which Mr J. Sandford Smith, A.C.A., will be the chairman. Other addresses include: 'The role of the top executive in a large organization', by Sir John Elliott, chairman of London Transport Executive; 'Cost accounting under conditions of automation', by Mr A. Kenyon, B.COM., A.A.C.C.A., F.C.W.A., of Guest, Keen & Nettlefolds Ltd; and 'Financing industry', by Mr J. B. Kinross, O.B.E., general manager of The Industrial and Commercial Finance Corporation Ltd.

During the conference the wives of delegates will be able to avail themselves of a special programme, which will include talks on such subjects as 'Careers for our daughters in a changing world'. The conference will conclude with a final address by the Right Hon. the Earl of Verulam, J.P., chairman of the British Institute of Management, after which there will be a reception and dancing.

CITY DISCUSSION GROUP

The first meeting of the 1958–59 session of the City Discussion Group of the London and District Society of Chartered Accountants was held on October 8th at *The Cock and Bottle*, Laurence Pountney Hill, Cannon Street, EC4. Eighteen members of the Group were present, with Mr G. R. A. Wixley, F.C.A., in the chair, and a discussion was introduced by Mr D. T. Phillips, T.D., A.C.A., on 'Management accounting'.

The Group will be holding a joint meeting with the Corporation of Insurance Brokers Consequential Loss Society on Tuesday, November 11th, at 5.45 p.m. at the Fanmakers' Hall, St Botolph's Without Churchyard, Bishopsgate. It is hoped that as many members as possible will attend. New members will be very welcome.

SOUTH-WEST LONDON DISCUSSION GROUP

The next meeting of the South-west London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, on Monday, November 3rd, at 6.45 p.m., when Mr R. O. A. Keel, A.C.A., will open a discussion on 'The acquisition of companies'.

Prospective new members should communicate with the group secretary, Mr L. J. Ive, A.C.A., of 52–53 Jermyn Street, London, SW1.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 12.30 p.m. on Monday next, November 3rd, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be Luke, Chapter 2, verses 29–32 (Simeon's prayer, 'Lord now lettest Thou Thy servant depart in peace. . . .').

EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS

Autumn Golf Meeting

The autumn invitation golf meeting of the East Anglian Society of Chartered Accountants was held at Hunstanton Golf Club on September 27th and 28th.

This annual event is always a great success and the present occasion was no exception. The weather was perfect throughout and the course can seldom have been in better condition.

The winning score of 43 points by Mr D. V. House in the Stableford competition was an outstanding achievement, and not content with this, he went on to win the Sunday foursomes in partnership with Mr S. Watson. In the course of these foursomes Mr Watson achieved the distinction of holing out the sixteenth in one.

On the Saturday afternoon, the Society played a

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foursomes match against the visitors which they lost by four and a half matches to two and a half. On Saturday night a dinner was held at *The Le Strange Arms*.

Leading scores were as follows:

STABLEFORD COMPETITION

	Points
1. D. V. House (18) Wins First Prize.	43
2. A. J. Whiting (15) Wins Second Prize.	40
3. L. J. Moore (20)	38
4. D. Gibson (8)	37
5. R. H. Taylor (16)	37
6. P. Blandy (18)	36
7. H. W. Pitt (9)	35

SUNDAY FOURSOMES

	Points
1. D. V. House and S. Watson Win First Prize.	$34\frac{11}{18}$
2. H. Lemmon and H. E. Harden Win Second Prize.	$34\frac{1}{18}$
3. T. Spencer and J. B. Pittman	$31\frac{10}{18}$
4. H. Foulger and R. C. Blows	$30\frac{14}{18}$
5. H. W. Pitt and D. G. Richards	$30\frac{12}{18}$
6. G. G. Goult and P. Blandy	30

DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS

At a recent golf meeting of the Dublin Society of Chartered Accountants, held at the Grange Golf Club, Rathfarnham, Co. Dublin, seventy-two members and guests took part in the competitions. The results were as follows:

Past Students' Cup:	*Winner:* P. Gunning (12), 2 up. *Runner-up:* A. Spain (18), 1 up.
Visitors' Prize:	W. Alexander (12), 3 down (won on 2nd nine from W. F. Lennox (13).
Four-ball:	*Winners:* P. Gunning (12) and R. O'Dowd (15), 8 up. *Runners-up:* J. H. Sedgwick (16) and W. F. Lennox (13), 6 up.

The competitions were followed by a dinner and smoking concert, at which Mr Niall Crowley, F.C.A., chairman of the Society, presided.

CHARTERED ACCOUNTANTS' HOCKEY CLUB

A season of attractive fixtures has been arranged by the Chartered Accountants' Hockey Club and any Institute member or articled clerk who is interested in joining the club should contact Mr Wentworth L. Rowland, Cross Keys House, 56 Moorgate, London, EC2 (Monarch 3788), who will be pleased to supply details.

O.E.E.C. PUBLICATION

Economic Development of Overseas Countries and Territories, a survey by the Overseas Territories Committee of the Organization for European Economic Co-operation, has been published by the Organization. The survey unites for the first time in a single publication information on the main items of agricultural, mining and industrial production, the balance of external payments and the volume, nature and distribution of investment. Copies are available from H.M.S.O., price £1.

SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

The next meeting of the 1958–59 session of the South Wales and Monmouthshire Society of Chartered Accountants will be held on Tuesday, November 11th, when Mr E. S. M. Chadwick will give a talk on 'Job evaluation and merit rating'. Other meetings have been arranged as follows:

November 26th, 6.45 p.m.: 'The London money market', by Mr C. R. Curtis, M.SC., PH.D., F.C.I.S., at *The Mackworth Hotel*, Swansea.

January 13th, 1959, 7 p.m.: 'Brains trust' (Question master: Mr J. Livesey, B.A., B.COM.) at the Central Library, Alexandra Road, Swansea.

February 3rd, 7 p.m.: 'Internal auditing', by Mr R. J. Gibbens, F.C.W.A., at the Central Library, Alexandra Road, Swansea.

February 10th, 6.45 p.m.: 'Inside Russia today', by Mr Bernard Newman, F.R.S.A., at *The Mackworth Hotel*, Swansea.

March 17th, 6.45 p.m.: 'The finance problems of the family company', by Mr A. R. English, A.C.A., at *The Mackworth Hotel*, Swansea.

The lectures at *The Mackworth Hotel* will be preceded by tea at 6 p.m.

Students' Society

In their first rugby match of the season played on Wednesday, October 22nd, at Llandaff Fields, Cardiff, the South Wales and Monmouthshire Chartered Accountant Students' Society defeated St Michael's College, Cardiff, by 22–0. This clear victory was achieved with only thirteen men for all but twenty minutes of the match.

There was considerable promise amongst the new players (ex-Incorporated), and sports secretary Irving Struel prophesies that this is the year in which they will defeat the London Students, as there is an abundance of talented rugby players in the Society.

LEICESTERSHIRE AND NORTHANTS STUDENTS' MEETINGS

A comprehensive programme of lecture meetings has been arranged for the 1958–59 session by the Leicestershire and Northamptonshire Chartered Accountant Students' Society. At the opening meeting Mr W. L. Barrows, LL.D., F.C.A., President of the Institute, met members at tea at *The Grand Hotel*, Leicester, and recently addresses were given on 'Professional ethics' and 'Consolidated accounts'.

Other lectures have been arranged as follows:

November 7th: 'Claims for the repayment of tax', by Mr P. A. Smith.

December 5th: 'English law from the examination standpoint', by Mr R. D. Penfold, B.COM.

December 12th: 'Commercial frauds', by Detective Chief Inspector Mitchell, of Scotland Yard.

January 2nd, 1959: 'Capital allowances', by Mr C. D. Lincoln, A.C.A.

January 16th: 'The stock exchange and the principles of investment', by Mr C. R. Tustain, A.C.A.

All these meetings will take place at *The Bell Hotel*, Leicester, preceded by tea at 6 p.m. An informal dance is to be held on Friday, November 28th, and the Society's annual dinner will take place at *The Grand Hotel*, Leicester, on January 28th, 1959.

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Property Owners' Charter

It is one of the functions of a civilized State to protect its citizens from expropriation of their property. It is also a function of the State in present times to acquire property compulsorily for the public good. Such acquisitions began with a proper recognition of the need to pay reasonable compensation but of recent years the pendulum has swung very much against the private owner of property who is compulsorily dispossessed.

A code of rules for assessing compensation in the Acquisition of Land (Assessment of Compensation) Act, 1919, broadly speaking, provided for the payment of the market value. Unfortunately, the post-war spate of town-planning legislation brought with it some inroads on this code. It has to be assumed, in applying the 1919 Act rules, that planning permission would not be given for the development of the land in question except for a very limited range of purposes. To compensation on this basis is added compensation for the value the land had for development in 1947, in so far as it has not subsequently been realized by development or by payment of compensation.

Clause 1 of the Town and Country Planning Bill removes these limitations on market value in relation to all acquisitions in pursuance of notices to treat served after the introduction of the Bill (October 29th, 1958). The new basis will also normally govern the price which a public authority would pay when buying land by agreement.

An important factor nowadays in determining the market value of a given piece of land is the answer to the question 'With what planning permission could the land be sold?' A planning permission once given cannot be revoked without payment of compensation and will accordingly increase the market value. Clause 2 (2) of the Bill provides that where land is being acquired compulsorily for some purpose, development permission for that purpose is assumed to have been given, so that the market value is to be computed accordingly. But clauses 3 and 4 go even further. Clause 3 deals with the case where there is a development plan for the area. If the plan indicates that certain types of development would be permissible to the owner if the land were not compulsorily acquired, then that permission is to be assumed for the purpose of assessing the market value.

In areas of comprehensive development the distribution of the land among various uses is likely to be changed; roads may replace houses, and houses open spaces. Land which for the time being is scheduled to be turned into a road or a park will not necessarily be depreciated in value on that account; on the contrary it will be assumed that permission would be given for other types of development permitted in the area.

Where the land is not in the area of a development plan or no development is shown for it (other than the purpose for which it is compulsorily acquired) clauses 4 to 6 lay down a system under which, on the application either of owners or acquiring authorities, the local planning authority (or the Minister on appeal) will issue a certificate saying what development, if any, might reasonably have been expected to be permitted if the land were not proposed to be acquired compulsorily. Permission for such development will then be presumed to exist, as far as assessment of the market value is concerned.

Just as the compulsory acquisition is not itself to depreciate the compensation, so no addition is to be made on account of the scheme for which the land is being acquired. Moreover, where the scheme will enhance the value of the land which the owner is to retain, that enhancement must be taken into account in assessing the compensation. Again, where a house is acquired under a slum clearance scheme, the owner is not to receive more than the market value of the land with the condemned houses still on it. There are a number of other provisions in Part I of the Bill directed to rationalizing the system of compensation for land compulsorily acquired.

A useful explanatory memorandum of the Bill has been published as a White Paper (Cmnd. 562. H.M.S.O. *1s 3d* net).

Legislation in the New Session

THE new Parliamentary session, which began on October 28th, has got off to a flying start. We discuss above the provisions of Part I of the Town and Country Planning Bill. Part III also contains some welcome changes, in that it implements certain of the recommendations of the Committee on Administrative Tribunals and Inquiries (the Franks Committee). Clause 24 carries out the recommendation that the present special form of appeal to the Courts in procedures relating to land should be retained and also applied to decisions on planning appeals. The clause applies also to all orders or ministerial decisions under Part III of the Town and Country Planning Act, 1947. Any person aggrieved by an order who wants to question its validity on the ground that it is not within the powers of the Act or that any procedural requirement has not been complied with, may apply to the High Court, within six weeks of the confirmation, to quash it.

Clause 25 grants power to appeal to the Courts against a ministerial decision as to whether a particular matter constitutes 'development' under the Town Planning Acts. Another matter which has caused concern is that frequently planning permission is given for development which is not acceptable to neighbouring occupiers, without those occupiers being aware of the application. Clause 29 provides for planning applications, of certain classes to be prescribed by order, to be advertised and for any representations to be considered by the planning authority before deciding. Clause 30 gives rights to certain persons interested in land to have a say in the consideration of planning applications for that land.

The Government's plans for facilitating house-purchase are bound to be controversial. One wonders whether the suggested introduction of 100 per cent loans is either desirable or practicable. If no addition is made to the funds available, the change would seem to be pointless since there are not enough funds even for the people who are able to save a deposit. Moreover, it seems questionable whether a person who cannot save a deposit is an acceptable risk in relation to repayments.

Details of the proposed superannuation scheme to be introduced by the Government have already been released but no doubt will be subjected to many changes before they reach the Statute Book. Few will lament the coming demise of the Catering Wages Act provided it is replaced by something which is more likely to increase the efficiency of the industry. Controls left over from the war are to be still further cut down, and the power to reimpose them made less easy to exercise. Perhaps the only remarkable thing about this is that we still have any wartime controls at all, thirteen years after the war ended.

Surrender of Life Interests

ALLOTMENT LETTERS

by T. J. SOPHIAN

AN important point affecting estate duty and company law was recently determined in *Pye-Smith and Another v. C.I.R.* ([1958] 2 All E.R. 785). In this case the deceased had a life interest in shares which were the subject of a marriage settlement, and had given previous instructions to her trustees for the surrender of her interest in bonus shares which were proposed to be issued by the company. The point to be decided was whether she had an interest in possession in the new shares, with the result that they were to be regarded as part of her estate for estate duty purposes.

The principal statutory provision which the Court had to consider for this purpose was Section 43 (1) of the Finance Act, 1940 (as amended). Under that subsection an interest limited to cease on death, such as a life interest which has been disposed of or has determined by, *inter alia*, surrender, after becoming an *interest in possession*, may become liable to be taken into account for the purposes of estate duty. Dispositions or determinations taking place five years before the death, however, are exempted in certain circumstances if bona fide possession and enjoyment of the property is assumed immediately and retained to the entire exclusion of the person who had the interest and of any benefit to him by contract or otherwise.

Material Dates in the Case

The dates in the *Pye-Smith* case are of importance. They were as follows:

1904, December 16th. Execution of marriage settlement under which the deceased had taken a life interest in the settled property, which included 14,000 fully-paid ordinary shares in a company.

1952, July 29th. Deed, under which the deceased was surrendering her life interest in the bonus shares (not yet issued) to the settlement trustees, was prepared and engrossed.

(It is to be noted that as yet there had been no effective surrender of the new shares, since the deed of surrender had not yet been executed and since there had not yet been any issue of the shares. Execution of the deed of surrender, moreover, was not contemplated until July 31st, 1952, the deed itself being dated July 31st, 1952.)

July 30th. Resolution passed by the company for the capitalization and bonus issue of one for one.

On the same date an agreement was made between the company and the shareholders under which the company was to allot to the settlement trustees 14,000 fully-paid new ordinary shares of 10*s* each by way of a bonus issue.

Letter of allotment issued to the trustees in respect of the 14,000 new bonus shares.

August 1st. Letter of allotment received by the trustees. Under this letter, the shares were renounceable at any time up to *September 10th, 1952.*

August 2nd–9th. At some date between August 2nd and 9th the deceased executed the surrender of the new shares.

August 9th. The trustees returned the allotment letter with the form of renunciation completed requesting three split allotment letters for 5,000 shares, 5,000 shares and 4,000 shares respectively.

September 10th. Last day for renunciation of the shares.

1956, March 2nd. Date of deceased's death, which accordingly was within the five-year period from the date of surrender of her life interest in the new shares, which surrender took place between August 2nd–9th, 1952.

If, therefore, it could be said that the deceased had an interest in possession – which, of course, could only have been an equitable interest – in the new shares *before the surrender*, Section 43 (1) of the 1940 Act would have operated, with the result that the new shares would have been part of her estate for estate duty purposes, the disposition constituted by the surrender having been effected within the five-year period.

Date of Vesting in Trustees

It is to be observed that in this case there was an agreement between the company and the shareholder (including, therefore, the trustees in whose names the old shares were registered) for the issue of the 14,000 bonus shares to the trustees. Pursuant to that agreement, the letter of allotment was sent out on July 30th, 1952. The new shares must therefore be regarded as having already been vested on July 30th, 1952, in the trustees in trust for the deceased, who would have had a life interest in them. It is true that the deed of surrender had already been *engrossed* on the day before (viz. July 29th) but it was not *executed* until some time after August 2nd, and until execution of that deed there could not be any effective surrender of the deceased's life interest in the new shares to the trustees.

It was argued, however, that as the allotment letters were renounceable at any time up to September 10th, 1952, the trustees merely had the right to receive, and were not the owners of, the shares, until they signified their assent.

Effect of Issue of Allotment Letter

With this view the Court disagreed. The Court was of opinion that the issue of the allotment letter, pursuant to the agreement made between the company and the ordinary shareholders, had – notwithstanding that the letter included a form for renunciation – the effect of rendering the trustees the owners of the new shares.

In other words, what the Court decided was that the addressee of a letter of allotment – notwithstanding that power to renounce is given – becomes, and continues to be, the owner of the shares which are the subject of the letter, unless and until renunciation takes place.

It is to be observed that in this case, the letter of allotment was issued pursuant to an agreement made between the company and the ordinary shareholders. But it seems that it would have made no difference if there had been no such previous agreement; for an effective resolution for capitalization and the issue of bonus shares would be binding on the shareholders, so that on the issue of the allotment letter, even with forms of renunciation, the addressee would become the owner of the new shares.

Indeed, it may be said that the expression 'renunciation', when read in connection with allotment letters, is somewhat misleading. After all, the shareholder is entitled to a valuable right, consisting of the bonus shares, and when he 'renounces' that right in favour of another person he is, in effect, transferring those shares to a purchaser, in whose favour the renunciation is made. He is not thereby telling the company 'I do not want the shares and I am handing them over to you to deal with as you please'. In *Pye-Smith*, moreover, the renunciation was not for the purpose of transferring the shares to a named transferee, but for the purpose of obtaining split letters so as to facilitate subsequent dealings with the shares.

Conclusion

To sum up, therefore, the basis of the decision in *Pye-Smith* was that at the material time, *before* the surrender of her interest in the new shares had been effected by the deceased, the new shares had, under the allotment letter, become vested in the trustees, who held them in trust for the deceased for her life. The surrender of her life interest in the new shares, which therefore had already become a life interest in possession, was caught by Section 43 of the Finance Act, 1940, and estate duty was accordingly attracted.

Accounts from Incomplete Records

SOME PRACTICAL POINTS IN PREPARATION

by M. BARRADELL, LL.B., A.C.A.

FOLLOWERS of *The Archers* will recall that one Walter Gabriel, village haulier and odd-job man extraordinary, was recently driven to seek professional advice; and that old Walter's 'accountiment' expressed a very proper doubt as to the impact on H.M. Inspector of Taxes of a profit and loss account containing three pigs on one side, and some garden tools and a roll of wire netting on the other. Likewise a coach trip at '8 at 5*s*=£1 8*s* 6*d*', was proved to include a rebate for a bet owing to two of his passengers, and for the price of malt liquor supplied by a third. Many of this old scoundrel's transactions were sheer barter, and his 'records' were certainly most incomplete in every way.

The term 'incomplete records' covers a wide field, ranging from a tolerably well-kept set of day-books and vouchers at one extreme to the bank pass-book and a spike file of villainous aspect at the other. It is my opinion that incomplete records offer as great a variety as anything to be found within the profession, and not infrequently induce a state of mind in which amusement battles against despair or sheer incredulity! *Ex hypothesi*, many of these jobs are found in the smaller practices, and the clerk who serves his articles in such surroundings has opportunities which should not be missed. He may expect to see a job through to completion far sooner than would otherwise be the case; he will be called upon to show qualities of initiative and judgment at a comparatively early age, in circumstances for which his textbooks may not have provided; whilst few jobs are of such size and complexity as to induce that dangerous attitude of boredom and mental stagnation.

Purchases and Sales

Even in the most incomplete systems of book-keeping, it is often possible to construct a fairly reliable purchase account – not least because the meticulous recording of expenditure is so obviously to the proprietor's advantage, but also because in the normal course of events a considerable volume of external evidence will be accumulated. The principal ingredients of this, of course, will be invoices, statements, receipts and (sometimes) paid cheques, and the accountant soon learns the names of those suppliers with whom his client is most accustomed to deal.

The small business not uncommonly lacks any system of collating invoices or statements with evidence of actual delivery (other than the proprietor's own memory) and this can lead to a risk of double payment, particularly if small repetitive orders of similar amount are involved. The client may habitually pay on receipt of invoice; subsequently he may receive a statement including the same amount – either crossing his remittance in transit or issued in error – and pay on this also. In one such instance the suppliers issued receipts (one attached to the invoice and the other to the statement) for both payments, but made no further acknowledgment, either by issue of a credit note or by deduction from any of several subsequent transactions, until a query was raised during preparation of the annual accounts some months later.

In the course of vouching purchase invoices, the accountant is likely to find in the same files documents relating to expense accounts or capital expenditure, both of which should, of course, be segregated. It will be found useful at this stage to note against each recurrent payment (rent, rates, mains services, etc.) the exact period to which it relates: the information will inevitably be needed later, if proper provision is to be made for accruals, and comparatively few clients trouble to record it either in their books or on cheque counterfoils.

The verification of sales is an entirely different matter, and one which – for want of external evidence – presents the accountant with far more difficulty. Indeed, it is to be feared that in many cases, particularly in the small retail trade, the amount of information available will not suffice for the accountant to accept unqualified responsibility for this item. There may, of course, be an automatic cash register of some kind, but I personally doubt whether anyone who has witnessed the *modus operandi* of this machine in a small family business could assert that the record is proof against omissions or subsequent 'editing'.

Comparison of the gross profit rate per cent from one year to the next is a useful rough check, and the rate should not vary greatly as between comparable businesses engaged in the same trade: but too great a reliance should not be placed upon the results of this test, since it may be affected by several different factors, and can never *prove* more than that the same margin of 'tolerance' exists in both sets of figures selected for comparison.

I have encountered a few instances of discounts being deducted so as to show only net purchases and sales in the trading account. This is theoretically incorrect and undesirable in that it distorts the gross profit percentage by the inclusion of an element which is better regarded as an incident of financial policy.

Cash

Except in the business which keeps absolutely no written records at all, it is usual to find a book fulfilling some at least of the functions of a cash-book, whether for bank or 'hard cash' transactions or both. Whilst the vouching of this book, and comparison with the bank pass-book, may reveal various errors and omissions, its presence can materially reduce the volume of working papers required.

In recent years, pre-printed cash-books have acquired a number of adherents. Several varieties of these exist, the basic idea being the provision of a weekly page of analysis columns for both revenue and expense, totals of which are then carried to a summary sheet and ultimately inserted in a draft trading and profit and loss account. It has been claimed by one publisher that: 'If properly kept, this book will be accepted by your accountant or Inspector of Taxes' – but the protasis of this claim is all-important. It is unfortunately true that these books are far from infallible, and that in fact the multiplicity of their analysis columns is a first-class trap to the man of limited clerical ability. Inaccurate and incomplete analysis, in which three comparable items may be extended respectively to column A, column B, and nowhere at all, is almost worse than no analysis, and the accountant derives very little help from it.

A necessary step in the preparation of accounts from nearly all sets of incomplete records is to draw up a summary cash account. The principal debit will naturally consist of receipts from sales, according to whatever evidence can be obtained, with credit entries for cash paid to bank, expenses paid in cash (of which wages are a particularly common example) and the admitted extent of the proprietor's drawings. At this stage it may be found that certain regularly recurring items are paid in cash without any record being available; the client knows they exist, the amount varies little from week to week, so why bother to write them down? Examples of this sort of thing are the weekly milk and bread bills of a small café; gratuities to carmen; or possibly an 'allowance' to members of the proprietor's family in consideration of occasional assistance. (From an accounting standpoint, of course, this last is properly described as wages, and should be treated as such – with all its implications.)

This summary cash account almost inevitably yields up a difference whose occurrence may be taken as only fractionally less certain than that of death or taxes, and for whose disposal no hard-and-fast instructions can be given. An 'overage' *may* arise from unrecorded sales, just as a shortage commonly indicates private drawings, but the accountant must be wary of jumping to either explanation without inquiry. It is possible that some material and exceptional transaction is involved, which the client had either forgotten until reminded of it by the mention of a familiar sum of money, or simply did not think it necessary to disclose.

Impersonal Accounts

It is a common practice for the impersonal or private ledger to be held in the accountant's own office and annual totals to be posted from the working papers immediately before drafting the accounts; and it may not be superfluous to include a warning against selecting the wrong ledger from a filing cupboard which perhaps contains a hundred or more. At this stage the usual adjustments will be made for prepayments and accrued expenditure; and the clerk who has not had the forethought to make suitable notes during his vouching will not be so careless again, after he has been made to hunt up one particular receipt amongst an unreferenced bundle of several hundreds, in order to find out the period for which insurance has been prepaid, or electricity is owing.

The final trial balance, after all postings have been completed, may usefully be taken out in four columns as follows:

	Profit and Loss		*Balance Sheet*	
Narration	*Dr.*	*Cr.*	*Dr.*	*Cr.*
	1	2	3	4

This will, or should, result in an identical 'difference' between each pair of columns, representing the net profit or loss for the year. In this form, the trial balance not only proves arithmetical accuracy, but provides an admirable working sheet for the rapid drafting of final accounts.

Taxation Considerations

It is frankly only the ever-present national scourge of taxation which drives many small tradesmen into seeking professional assistance at all, and some of their opinions as to the duties of 'their' accountant *vis-à-vis* the Inland Revenue are in flat contradiction of the pronouncements of the Institute.

Once the client has approved the draft accounts, and a signed copy has been taken for the accountant's own files, it is customary to submit another copy, and a provisional computation of liability, to the Inspector of Taxes. The type of adjustment most commonly necessary in such cases is for private user of mains facilities, if the taxpayer and his family also reside on the business premises; a suitable fraction, and in my own experience a not ungenerous one, can be negotiated with the local Inspector. There is also the ever-present problem of 'goods from stock for own use', but the implications of *Sharkey v. Wernher* have already received sufficient attention in these columns.

Throughout the course of his duties the accountant must be vigilant for examples of private expenditure charged against the business, as many clients feel no obligation to volunteer this sort of information. One may stumble across invoices for goods of a kind in which the business does not normally deal (e.g. canned groceries supplied to a bakery), or in small quantities suggesting domestic rather than trade requirements, or rendered to an address at which no business is carried on; or possibly for repairs to a motor vehicle with an unfamiliar index mark. Sometimes only one bank account is kept for both business and private transactions, and particular care will be required to identify the latter.

It is also important to establish as firmly as possible with the client the exact nature of the work to be performed. Frequently this can best be described as 'bringing the records into sufficient order to justify their use as a basis for taxation', and there is a wide difference between this and a comprehensive audit. In particular, an agreement for work of the former class does not entitle the client to recover damages for the non-detection of fraud perpetrated by his own employees.

THE FUTURE ROLE OF THE ACCOUNTANT IN INDUSTRY – I

by W. W. FEA, B.A., A.C.A.

Introduction

IT has long been the habit of critics of our profession to say that accountants are historians, concerned only with things past. The titles of the papers given today by Mr Benson and myself provide clear proof however that the Institute itself is concerned not only with the past but also with the future. Moreover this concern with the future of the profession is no new thing at autumn meetings. In 1934 Mr Furnival Jones gave a paper on 'The professional accountant – yesterday – today and tomorrow'; in 1947 Sir Harold Howitt gave one on 'The future of the accountancy profession'. Today you have two papers, Mr Benson's on 'The future role of the accountant in practice' and this one on 'The future role of the accountant in industry'.

2. There is some significance in the different titles which have been allotted to the respective speakers. Twenty-four years ago Mr Furnival Jones was still dealing with 'Yesterday and today' – the past and the present – as well as with 'Tomorrow' – the future. Eleven years ago the title given to Sir Harold Howitt had dropped any reference to the past and the present, only the future is mentioned. Mr Benson and I are also directed to concentrate on the future. There is a further point about these four titles to be drawn to your attention. In 1934 the subject was 'The professional accountant'; in 1947 it had expanded to 'The accountancy profession'. By 1958 it has been considered desirable to reflect the growing duality of [illegible] profession by having two papers, one about the practising side and the other about the industrial side.

3. In an attempt to forestall criticism I must make it plain at the outset that, throughout my paper, I have interpreted 'the accountant in industry' of my title as referring to the accountant who is wholly employed in industry. After considerable reflection I felt bound to follow this course for three reasons:

(i) the statistics into which I shall shortly delve are based on information contained in the Institute's *List of Members* and the *List* can obviously refer only to the principal activity of each member;

(ii) 'the whole includes the part' and the problems of the part-time accountant in industry do not greatly differ from those of the wholly employed accountant, at any rate in the fields of service common to both;

(iii) Mr Benson has included in his paper sections on the growing number of practising accountants who are serving industry as part-time members of a board of directors, as financial advisors and in other capacities.

4. I will confine myself to saying that this seems to be an admirable development benefiting both the profession and industry. The practising accountant surely gains by closer direct insight of the problems of industry and the client gains by advice derived from experience of similar problems of other clients also studied at first hand. Personally I would like to see even more of this intermixing by way of a greater movement of accountants from industry into practitioners' offices; the traffic seems at present to be far too much in one direction. But I am getting rather far from the subject of my paper and I will not attempt to explore this fascinating by-road.

5. I must assure you that there has been no collusion between Mr Benson and myself: any similarity between our papers is coincidence – nothing more. This is not to say that he and I never agree; on the law of averages we are bound to sometimes. Indeed there is one thing on which we seem to have agreed, that the invitation to talk about the future requires us to let our hair down and express some provocative views in the hope that useful and constructive controversy may result.

The Accountant in Industry's Concern with the Future

6. It is always risky to talk about the future; prophecies are so often falsified by events, opinions and advice proved to be unwise. In industry decisions are constantly having to be taken about the future as well as about the immediate course of action. The practising accountant is fortunate that in much of his work he is dealing with the facts of the past.

7. It is no doubt this refusal to be concerned with the chances and uncertainties of the future that has secured for the company auditor a unique place in the hierarchy of a limited company. As an employee I can be sacked at any time, as a director I must retire under the company's Articles although in accordance with the classic understatement I am 'eligible for re-election', but as auditor Mr Benson is secure under the now standard clause in annual reports 'the auditors will continue in office in accordance with Section 159 (2) of the Companies Act 1948'.

8. Accountants in industry must always be thinking about the future. If I may trot out a hobby-horse – and in a paper of this kind one is allowed to expose to public view quite a stableful of hobby-horses – I believe that speaking broadly the higher up the accountant moves in the scale of seniority the more

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The first part of a paper presented at the autumn meeting of The Institute of Chartered Accountants in England and Wales, in London, on October 2nd, 1958.

he is concerned with the future. At the bottom of the scale, starting as a young man in a junior position, say three or four years after qualifying, he will be dealing with the accounting records of past events. As he progresses up the ladder he will be more and more concerned with estimating, budgeting, forecasting and finally policy-making. This is, of course, a broad generalization but I believe it to be true also of the management ladder, and the accounting and management ladders have much in common. At the bottom of the management ladder the foreman is dealing with the present, very little with the future. The works manager is concerned with both but the managing director and the chairman will for ever be lifting their eyes from the immediate task in hand to the horizon, straining to see if it be murky and forbidding or clear and encouraging. At the 'summit' it would appear from a lecture given by Lord Heyworth some years ago on the organization of Unilevers, the three big problems dealt with are all problems of the future:

(i) the operating plan for the year ahead;
(ii) capital expenditure;
(iii) remuneration of the top 200 executives.

9. The famous American judge, philosopher and wit, Oliver Wendell Holmes, once said 'all values are anticipations of the future'. That statement of a profound truth of wide implications seems to me particularly applicable in the realm of accountancy. Taken negatively we all know that a balance sheet, being an expression of past events, is not a statement of value. On the other hand the value placed on a business by a prospective purchaser depends on his estimate of future profits, the past balance sheets and other records serving only as a guide in making this estimate. Reflection on Justice Holmes's dictum suggested to me that it would be wise to explore the value of the accountant in industry before venturing into the realm of prophecy which the title of my paper requires.

10. In attempting this task I count myself fortunate that unlike Mr Benson I am not inhibited by the judicial dictum that 'an auditor is not a valuer'. But even if it is legitimate for an accountant in industry to discuss value, when he is himself in the scales, natural modesty requires the most objective and factual approach.

How many Chartered Accountants in Industry?

11. Let us therefore consider the quantitative aspect of the problem. How many chartered accountants does industry employ and is the number increasing or decreasing? These are both reasonable questions but unfortunately they cannot be answered with any great degree of accuracy as the information supplied by many members for entry in the Institute's records and *List of Members* does not disclose their occupation. One hopes that it may be found possible to secure the co-operation of all such members in the future to reveal their occupation in confidence to the Institute even if they will not permit the information to be published, so that this important statistical gap may be closed.

12. I have studied in detail a fair sample of the 1957 *List of Members* and venture to put before you the following table as representing a reasonably accurate analysis of the occupation of members active and resident in the United Kingdom prior to integration:

	%	%
In practice	41	
Employees of members in practice	14	
		55
In industry and commerce		25
In local Government and other employment of a non-industrial nature		1
Unclassifiable (private address only stated)		19
		100

13. The above table omits all those who are shown in the annual list as engaged in H.M. Forces, retired, or resident overseas as I think this gives a clearer picture of the true position in England and Wales. For this purpose the United Kingdom means England and Wales as it is assumed that very few of our own members are bold enough to attempt to scrape a living within the boundaries of the Scottish and Irish Institutes. The table shows that those engaged in public practice together with their employees still have a sizeable majority even assuming they include none of the 'unclassifiable' members. Those members who specifically disclose that they are engaged in industry and commerce account for one-quarter of the total United Kingdom membership but no doubt there must be added to their number many of those who have to be shown as 'unclassifiable'. These figures, which I must admit to putting before you with some trepidation that a better analyst and statistician will arise to prove them wrong, show that there need be no present fear by the practising members of being outnumbered by their colleagues in industry. The position has not greatly changed since 1950 when Sir Harold Howitt told The Chartered Accountant Students' Society of London that about 57 per cent of the total membership of the Institute was occupied in the practising side. Although he included overseas members, whilst my figures relate solely to the United Kingdom, there is no reason to think this destroys the validity of the comparison.

14. If my sample is truly representative there were some 4,100 members known to be in industry and commerce in the United Kingdom to which must be added a large but unknown proportion of 3,100 'unclassifiable' members. The total in industry and commerce in the United Kingdom may therefore well be 6,000 to 6,500 and these figures relate only to those who were members of the Institute prior to integration. If it is assumed that the Society consisted of members in practising offices and in industry in approximately the same proportions as the respective membership of the Institute prior to integration the

total number of present members engaged in industry and commerce must be about 10,000.

15. Is there at the present time a greater proportion of members of the Institute in industry than there was say twenty-five years ago? An analysis of the 1932 annual list on the same lines as in paragraph 12 above gives the comparable table as follows:

	%	%
In practice	44	
Employees of members in practice	21	
	—	65
In industry and commerce		12
In local Government and other employment of a non-industrial nature		—
Unclassifiable (private address only stated)		23
Total active and resident in the United Kingdom		100

16. While there is only a small reduction in the percentage of members in practice from 44 per cent to 41 per cent there are two significant changes in twenty-five years:

(i) the number of qualified accountants working in the offices of public practitioners has fallen from 21 per cent to 14 per cent of the total;

(ii) the known industrial accountants have doubled their proportion from 12 per cent to 25 per cent.

17. As the overall total of members in the United Kingdom has almost exactly doubled in the twenty-five years, the total number of known industrial accountants has quadrupled. This is a large rate of increase over such a short period of time as twenty-five years. Will this rate of increase continue, will it slow down in the future or is the demand by industry for accountants even now at its peak? These are large questions and do not permit a ready answer but guidance may be found if we explore the background of the employment of accountants in industry.

What Positions are Held by Chartered Accountants in Industry?

18. Firstly, how far has the accountant penetrated into industry? The answer to this question seems clear. The accountant is to be found holding every type of administrative and executive post from chairman and managing director down.

19. When analysing the sample of the 1957 annual list to which I referred in paragraph 12, I took the opportunity of recording the designation of title and was astounded at the variety. Using 100 as the base total no fewer than twenty titles were individual and different from any other; they varied from 'chairman' to 'internal travelling auditor' and even 'works engineer'. Of the remaining eighty the most popular titles were 'secretary' (18), 'director and secretary' (15), and 'accountant' (11) If I had been examining the annual list of certified public accountants in Ontario, Canada, I might well have found 'Acting Prime Minister' as this was for a short time the role of Mrs Fairclough, C.P.A. But even if one day there is an English (or more probably a Scottish) chartered accountant as Chancellor I suppose it will be difficult to include him as an accountant in industry, unless of course nationalization of industry has gone very far indeed by then.

20. It is clear, therefore, that no one can make a neat list of the different kinds of work now undertaken by the accountant in industry. In America, with their greater devotion to analytical tabulation, such lists have appeared from time to time. For those who are interested to pursue the matter I believe one of the most comprehensive is that developed for the office of 'comptroller' by Dean J. H. Jackson, of the Harvard School of Administration, and published by him in the Dickinson lecture of 1948. It contains eighteen different headings of the duties of a 'comptroller'.

21. But if there is no list possible of all the work undertaken by accountants in industry and if it is clear that the way to the very top lies open to them, I believe it to be a weakness that that way does not start at the bottom. Many of the ladders in industry are firmly based on the shop floor, the drawing office, the laboratory, the design department and the sales office. Those who climb them have often had to put their feet first on the bottom rungs. They have thus had experience at many different levels on their way up and sometimes even on more than one ladder. But the chartered accountant may come in near the top and even if, as a young man, he starts near the bottom of the industrial accounting ladder he will have had no experience of the other ladders of industry. It is true that his years in a practising accountant's office have provided their own important type of training and his experience in industrial clients' offices will have given him insight into some of the problems of industry. But there is no substitute for experience at first hand, and he is a wise accountant who concentrates during his early years in industry on acquiring that experience. If he does not do so the gaps in his knowledge will prove as fatal, sooner or later, as deficiencies in his book-keeping.

What Qualities are Needed by Accountants in Industry?

22. From consideration of the variety of jobs in industry now open to the accountant it is natural to pass to a second question. What qualities are needed by the accountant in industry? This is a matter on which there are many different opinions, which is just as well for one's peace of mind. How fortunate that there is no table of thirty-nine qualities promulgated by the Council to be used by our employers as a check list against our deficiencies.

23. My own personal views are on the following lines:

(a) *Integrity*

(i) At the top of the list I would place integrity. In this I follow Mr (now Sir William) Carrington who, when President, wrote an article on 'The accountant in industry' for a survey published by *The Financial Times* in November 1955 on careers in industry.

(ii) I am not suggesting, nor was Sir William Carrington I am sure, that integrity is the first requirement of the industrial accountant just because he is employed in industry. I believe it is the key quality required of any chartered accountant whatever his occupation and I believe it is one of the strongest points of our system of training under articles that it enables the attention of the articled clerk to be focused on this vital aspect of the profession for which he is studying.

(iii) How does this quality of integrity in an accountant find expression in his work in industry?

(iv) Firstly through independence of thought. The accountant, who is an employee, may often find it more difficult than his practising colleague to preserve this independence without impairing his loyalty to his employer. But I believe it is essential for him to do so and the value placed on his services by the good employer will depend to some considerable extent on the success he achieves in this direction.

(v) Secondly the accountant in industry must be objective and impartial. The nature of his work requires the use of critical faculties in a high degree but these must be applied to the facts and figures of the situation and not to personalities. Here again it may be more difficult for him than for his practising colleague, as his relationships with others employed in the business will be intimate and extensive, and he must take special care to prevent this fact colouring his opinions. There is a good deal of rough and tumble in the competitive life of industry; in the best of firms there are internal divisions and dissensions, there may be empire-building and axe-grinding. The accountant will only retain respect for his judgement if, like Caesar's wife, he is above all suspicion of 'playing politics'.

(vi) Thirdly and lastly the integrity of the accountant in industry is expressed by virtue of his accuracy and reliability. I know that many industrialists attach great importance to the speed with which information is made available to them; to some extent speed and accuracy may be considered opposing forces but both are relative terms. Information is seldom available simultaneously with the events to which it relates and accuracy is never 100 per cent, although electronics are rapidly affecting both factors. The accountant must choose the highest degree of accuracy appropriate to the speed with which information is required by management, bearing in mind the costs involved in relation to the value attributable. Once the limits of accuracy attainable have been defined and accepted by management the accountant must ensure his figures are reliable. His interpretations and deductions may, however, be questioned because management must always retain final responsibility for decisions and this often involves selection from alternative deductions based on the facts.

(*b*) *Being a good accountant*

(i) The second quality which the accountant in industry must possess is, to put it quite simply, that of being a good accountant. As in the case of integrity I would subdivide this quality into three component parts.

(ii) Firstly there must be an instinctive aptitude for the handling of figures. Not only must there be the appetite and digestion of the gourmand there must be the taste of the gourmet. Selection of the few key figures that really matter is as important as that 'nose' for the one that is wrong in a pageful which is the hall-mark of the true accountant.

(iii) Secondly there must be analytical ability which is perhaps an innate quality manifesting itself through an infinite capacity for taking pains. It was Schiller who said 'only those who have the patience to do simple things perfectly ever acquire the skill to do difficult things easily'. This is good counsel for any accountant but I believe it is particularly applicable to the accountant in industry. Necessary as is delegation I am old-fashioned enough to believe that an accountant must not be content with receiving and digesting and then interpreting a mass of figures to management. He must know at first hand a great deal about the sources of information, the records that are kept and the accounting processes applied to them. Only with this knowledge will he be able to improve the records themselves, the processing and the resulting information whose correct interpretation is his ultimate objective.

(iv) The third attribute of a good accountant is a sound knowledge of accounting theory, principles and conventions. This is a truism but cannot be omitted from my list as it is, of course, the basic reason why the qualified accountant has succeeded, at the expense of the unqualified accountant, in holding most of the available positions of responsibility for the accounting and financial functions in industry.

(v) Should the accountant progress, if this word may be used, from the accounting side to a managerial position it will be due to other qualities he possesses. But I doubt if he will ever regret his accounting background and there will be many opportunities for using the basic accounting knowledge he has acquired.

(*c*) *Getting on with other people*

(i) The third quality required for success is the ability to get on with people. This diamond has many facets and I want to suggest several to you.

(ii) First the accountant coming into industry must remember he is leaving a field in which he is an acknowledged authority for one in which he will often need to get accepted on his own merits. When previously he was dealing with the secretarial and accounting staff he was an official auditor and treated accordingly whereas when he enters industry he is a 'new boy' and must learn and practise the humility proper to that situation in all walks of life.

(iii) Secondly the accountant coming into industry must realize that whereas he has usually been dealing with situations on paper for which paper solutions will be appropriate, when he is in industry the situation will be inextricably mingled with people and moreover it is people who have to implement decisions. Whilst he must maintain the objectivity and impartiality to which I have referred he must have the quality of humanity which is so essential to convert an academic approach into a practical one in which he co-operates with others to solve common problems. He must try always to understand other people's point of view and to appreciate the practical difficulties which they face. Management is concerned with the control of people and at any rate in the average English industrial background this often involves compromise. The accountant may propound the ideal solution but he must often reconcile himself to different, even opposing, points of view. To do this without losing that precious quality of integrity which should be his hall-mark is no easy matter for a conscientious accountant. Its achievement denotes a matured accountant.

(iv) Thirdly an accountant in industry must be able to sell himself and his views to other people. This requires the ability to express himself clearly and concisely in language the other man can understand.

(v) Accounting, besides being a science, is also an art in so far as it is a form of communication between human beings whose object is to convey information and ideas to the recipient.

(vi) If an audit report is not understood by the shareholders to whom it is addressed the auditor can always console himself that its content and language are laid down by statute. He has no further duty unless he has to make a qualification when he must endeavour to express his point with precision and clarity. It may well be difficult to use such language as will be fully understood by shareholders untrained in accounting and in any case the auditor seldom has an opportunity of judging their reaction. The accountant in industry, however, must so word his report that every point can be fully understood by the person to whom it is addressed, otherwise there may well be harmful action wrongly conceived from misunderstood inferences.

(vii) This is the centenary year of the birth of H. W. Fowler, author of *The King's English*, and therefore a fitting time to stress the importance of language as the vehicle for communication of ideas. In a recent article on Fowler it was well said that 'the important things in the art of communication are clarity, brevity and vigour'.

(viii) Let us examine each of these criteria in turn. Clarity means instant and perfect understanding by the reader of the exact intended meaning of the writer. This necessitates the use of words which have the same content of meaning to writer and reader: this is, of course, a counsel of perfection but it does suggest the avoidance of jargon. By jargon I mean what Sir Ernest Gowers in his classic *A.B.C. of Plain Words* defined as 'English words which are in reality symbols used in conventional senses known only to the parties to the convention'. Accountants talking to accountants or writing for accountants can properly convey their ideas in accounting jargon, but when communicating with managers and other non-accountants in industry only those technical terms should be used whose exact meaning can fairly be assumed to be known to both parties. The clarity which I am advocating should apply not only to the language chosen but to the facts and figures exposed in the report. The art of presentation requires great care and much experience but also willingness to experiment with new forms. Staleness in routine reports can often be avoided by a new layout and a new emphasis.

(ix) Brevity speaks for itself. In these days when we all have too much paper to read, the short, pithy report gets attention and action where a long and turgid one may well create a defensive reaction, possibly subconscious, with resulting delay in taking decisions.

(x) Finally there is vigour. This is perhaps a strange term to apply to language, but for the accountant with his traditionally cautious outlook I think it means he must have courage in expressing himself. If his investigations lead him to definite conclusions then he must state these conclusions courageously and with conviction. Most managers respect plain speaking by an expert as a challenge to their own intelligence. Vigour provokes a vigorous response and positive action but dullness begets only a dull reaction.

24. Well, gentlemen, there are some thoughts on desirable qualities of the accountant in industry. The list is by no means comprehensive; many other points could be made and each of you would no doubt make them differently. I hope that I may at least provoke

some of you to put forward your own views during the discussion following this address.[1]

25. We have looked briefly at the numbers of accountants in industry and at the qualities they should bring to bear on their jobs. Those qualities must have enabled them to carry out their role of service to industry as is proved by the quadrupling of the numbers of accountants in industry over the last twenty-five years. But there are many new problems looming up and some old unsolved ones to which workable solutions must be found if the high level of service is to be maintained and improved. Before considering these problems, however, we must first peer at the background against which they will be relevant – what is the future of industry itself?

The Future of Industry

26. Of course it is a subject for a paper in itself and would require an author of outstanding competence. Fortunately there is some authoritative guidance in a series of articles published in *The Financial Times* some months ago entitled 'Britain in 1970'. What do the distinguished contributors foretell? In summary form, Britain in 1970, they say, will:

(i) be producing 60 per cent as an overall average more than in 1957, with steel output at some 30 to 33 million tons per annum;
(ii) be importing 50 per cent more materials if we can pay for them;
(iii) be using double the energy now produced from coal, oil and nuclear sources;
(iv) have doubled her standard of living – this is a political aim openly stated by one party and naturally not repudiated by the others;
(v) have raised productivity by improved techniques, in which electronics, nucleonics and automation will play a large part.

27. In the light of our present uncertainties and troubles this may seem an over-optimistic picture which is unlikely to be fulfilled. But few would deny that it *can* be achieved as a technical possibility; if we fail it will be due either to world events beyond our control or to domestic dissension which we ought to be able to avoid. Even if volume does not expand as rapidly as predicted the rate of technological change is increasing, both in the works and the offices, creating many new problems for the accountant.

28. These are long-term and inevitably somewhat hazy considerations. More immediate problems, apart from the overall problem of world recession or slump, are:

(i) the imminence of the Common Market and Free Trade Area bringing enlarged markets but increased competition for British industry;
(ii) the emergence of case law from the Restrictive Practices Court leading to greater price flexibility within an industry;
(iii) still greater public ownership of industry and Government interference in its operations, possibly resulting in unnatural distortions for political reasons of developments planned on a sound economic basis.

29. These latter problems are all overlaid with politics and as Sir Harold Howitt said in his 194[illegible] paper 'one must studiously try and avoid politics' The difficulty for the accountant in industry is that he cannot avoid Government and it is after all politicians who direct those great Departments of State that we mean by 'Government'. Both the practising accountant and the accountant in industry are bound to be concerned if there is further nationalization. Although from a narrow point of view the accountant in industry might thereby have his field of operation enlarged it will damage the profession as a whole, including the industrial accountant, if there is a substantial reduction in what Mr Nehru amongst others calls 'the private sector'. Freedom of choice from a large number of potential employers rather than from a few very powerful ones is as important to those professional men seeking employment as a large variety is to those seeking clients.

30. I have sketched out for you a picture of industry with a glowing background of future prospect but with sombre undertones in the immediate outlook. Let us now explore against this background the problems which the accountant in industry is facing.

Problems of the Accountant in Industry in Keeping Up to Date

(a) *Electronified accounting*

31. The first and greatest problem for the accountant in this age of change and ever-increasing specialization I will put in the form of another question, What is he doing to keep himself up to date? Nine years ago I suggested to an Oxford Summer Course that accounting was both a science and an art, 'that the science consists in recording, classifying and summarizing in a significant manner, transactions, operations and events, in terms of quantity, time and money and the art consists in interpreting the results thereof'. I make no apology for repeating that statement; since I wrote it the tide of science has pushed its way into the accounting world with the same relentless surge that has carried it far up the beach of every island of human knowledge. No accountant can ignore this tide. The 'recording, classifying and summarizing in a significant manner' can now be done by machines at great speed, to any desired degree of accuracy, and with powers of selection that previously could only be entrusted to the human brain. At present only the larger firms are engaged in the study and application of these new techniques but it seems likely that medium-sized and eventually smaller firms will be using modified and cheaper machines on a large scale within the next ten years. By 1980 when the Institute celebrates its centenary the electronic evolution will have gone far and maybe by then 'atoms for accounting' will be the rage.

32. I have used the words 'study' and 'application'

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[1] See *The Accountant* dated October 11th, 1958.

of these new techniques as there are two separate and distinct fields of development.

33. In the first place there is great room for study of the technical aspects of computers. They were originally designed to deal with purely scientific problems and the electronic engineers responsible for them still know little about the potential uses to which they can be put to solve commercial problems. Accountants can do much to help the electronic engineers by a 'feedback' of information about the characteristics and requirements of clerical as opposed to mathematical work. Team-work is essential in this matter as in so many other aspects of the industrial accountant's work.

34. Then there is the necessity for a fuller understanding of the nature of the problems posed by the application of computers in business. To a much greater degree than with any previous office machines computers require fundamental exploration of managerial policies, organizational structure and procedural methods. This field of inquiry requires great patience and concentration of effort if results are to be obtained in a reasonable time at a worth-while cost.

35. The time-lag between the happening of 'transactions, operations and events' and the accounting thereof may be so shortened by the use of computers that company accounts will be published within a very few days after the year-end; only the banks now achieve this. If this happens the accountant will perhaps be able to remove from his *Members Handbook* the pamphlet on 'Post balance sheet events' recently issued by the Institute. He will certainly need to read instead the admirable *Accounting by Electronic Methods*, published by the Institute in July 1958.

36. A great speed-up in accounting cannot, however, be brought about solely by computers. There is need for improvements in the field of physical [illegible]unications. The electronic office can only be the hub of all the accounting and clerical information of a business if data can be reliably and continuously transmitted to it from many points of origin, some maybe at a great distance. Telerecording, teleprinting and industrial television must all be developed simultaneously with the commercial development of computers.

37. These are all matters of refinement and development of existing mechanisms and processes – evolution not revolution. But there must be a real revolution of thinking if computers are to play the part of which they are capable in the competitive, commercial world of today. There is a great challenge to accountant and management alike to reconsider and restate all requirements for information at all levels. Problems that have seemed insoluble without incurring excessive clerical cost can be attacked from [illegible]uch surer foundation of accurate up-to-date [illegible]l information.

[illegible] The industrial accountant facing this revolution [illegible]king brought about by the electronic evolution [illegible] set himself to learn all he can about electronic data processing and the use of computers. There are special study groups set up in London, Birmingham and elsewhere; there are training schools run by the electronic equipment manufacturers; there are co-operative schemes organized by a number of large firms; there is literature galore. The hardest thing of all to get is practical experience which is so important in this particular field, as I need hardly remind an audience whose own training was based on that peculiar marriage of theory and practice which characterizes our articled clerk system. The practical experience, as with our articled clerks, must start at the bottom. Without a knowledge of work study applied to clerical methods, known in short as O. & M., operating on the simpler clerical processes and then extended to more complex machine applications, the objectives of computer work are clouded in mystery. But if the objectives are clearly understood, the scope and limitations of each computer, and they all differ, can then be studied, the job itself rationalized and the correct programme evolved.

(*b*) *Operational research*

39. There is another tool of management which is coming into greater use in industry and which will affect the accountant increasingly; this is operational research. In the words of a recent advertisement – 'The aim of operational research in industry is to apply the techniques of the orthodox sciences so as to reduce the uncertainties which face management when making decisions concerning the organization and operation of their plant'. In the past management, when confronted with a given set of facts, has had to trust to its intuition and judgment derived from experience in coming to a decision. Now management's job is to decide and nine people out of ten in industry who are not part of management are only too thankful to leave the responsibility of decision to management. But the consequences of wrong decisions grow ever more costly and the importance of operational research is its enlargement of the area of facts and its scientific evolution of objective solutions to the problems of management. It takes a lot of the human error out of decision making.

40. Thus the development of the techniques of operational research would seem to be bound up with the evolution of computers for commercial application. Speedy and accurate handling of vast quantities of data projected in regard to a large number of interrelated variables combined with automatic selection from alternatives according to a predetermined pattern is both the outstanding characteristic of a computer and a prerequisite to the application of those mathematical techniques which constitute an important element in operational research.

41. The accountant will, therefore, be concerned with operational research in three ways:

(i) to assist in the marriage of operational research with computers, where his specialized knowledge ought to be of great value;

(ii) to apply some of the techniques of operational research within his own field, for example, by the use of statistical quality control to determine the limits to which cost variances can be allowed to go before special corrective action ought to be undertaken by management;

(iii) as a vital member of the operational research team to supply the £ s d factor which management always needs. But the accounting data which will be needed will be related to the future not to the past. There will be no place for historical costs or average prices; current costs, current prices and forecast overheads will be the accountant's stock-in-trade when he engages in operational research.

(c) *Work study*

42. Then there is work study. I have already mentioned the importance of the accountant in industry understanding its principles so as to be able to apply it, either himself or by deputy, to the clerical processes for which he is responsible. But work study is one of the most important tools of management in securing greater efficiency, greater productivity, less waste and reduced costs in every division of a business. The Institute recognizing its growing importance invited Mr C. T. Gould, M.I.E.E., A.M.I.P.E., F.I.I.TECH., the head of an important industrial work study department, to give a paper to this year's Summer Course. I can do no better than recommend a close study of his paper 'Work study and accountancy – the investigation, planning and control of industrial processes and business operations'.

43. I have mentioned the importance of the accountant in industry keeping himself up to date in the new techniques of electronified accounting, operational research and work study. You may feel this implies he is working in a large firm where there will be specialist departments concerned with these matters. To some extent it is true the larger firms cannot continue to progress in this competitive world without knowledge and use of these techniques but I think the smaller and medium-sized firms cannot ignore them. Work study can be applied irrespective of size, mechanized accounting is spreading far and wide and will increasingly incorporate electronic devices. Computers may become available for relatively cheap hire by small firms. Even the fruits of operational research may be made available on a co-operative basis for use by firms in the same industry faced with similar problems. It is usually the larger firms who have pioneered improved costing techniques and from this experience have been built up systems of uniform costing. These now exist in many industries and have greatly helped the smaller firms willing to use and benefit from them but unable to afford the expense of initiation and development of a suitable comprehensive system. Perhaps with the disappearance of price fixing functions of trade associations under the compulsion of the Restrictive Trade Practices Act, there will be more willingness and more opportunity for co-operation between firms in an industry in such matters as work study, electronified accounting and operational research.

(d) *Budgetary control and standard costs*

44. But the accountant in industry will also have to keep himself up to date in the latest developments of the older, established techniques. Unfortunately no statistics are available as to the number of companies whose internal management accounting conforms to 'the best practice', expounded in the Institute's publications. They will be far fewer, one fears, than the number of companies publishing accounts in conformity with 'the best practice' – if the Companies Act, 1948, despite its imperfections, can be so regarded for this purpose.

45. In the absence of certain knowledge it may be reasonable to assume that a large number of the Institute's 10,000 members in industry will be engaged in firms where accounting control is exercised through budgets, with or without standard costs.

46. The basic principles of these aids to management in the formulation of policy, planning and day-by-day control have been known for many years but it is probably only during the last twenty-five years that these principles have been widely applied. There were indeed certain firms long before 1933 actually operating advanced systems of accounting control. In 1927 Mr (now Sir) Charles Renold gave a paper to the International Management Institute on 'Budgetary control in the organization of Hans Renold Ltd'. In a characteristically telling phrase he said 'budgeting is, in fact, accounting before the event'; this seems to me to express in a nutshell both the definition and the objective of budgeting. Nevertheless by 1958 many developments and refinements have been evolved and no one can say that the [illegible] of the road has yet been reached.

47. I shall not attempt in this address to expand this point as there are fortunately some admirable booklets available from the Institute, which represent the combined wisdom and practical experience of a large number of accountants drawn from a wide field of industry and from public practice.

48. The booklets include the following:

(1) *Developments in Cost Accounting.*
(2) *Notes on the Allocation of Expense.*
(3) *Management Accounting – An Outline of its Nature and Purpose.*
(4) *Standard Costing – An Introduction to the Accounting Processes.*

49. This post-war venture of the Institute into the field of advice on management accounting fills a gap in accounting literature in this country. It is to be hoped that this valuable work by the Institute [illegible] continue and that it will be expanded to in[illegible] publications dealing not only with establ[illegible] practices of management accounting but [illegible] research into new and experimental methods.

(*e*) *Research into management accounting*

50. The accountant in industry is more and more concerned with research into technical matters, whether by his own firm, by trade associations or by other bodies. Increasingly such research is spreading into subjects with which he himself must become familiar, for example the use of computers and operational research to which I have already referred.

51. In this age of specialization there is a danger of compartments becoming too watertight. The growing reliance in industry on team-work in research suggests that the accountancy profession may have to evolve some system of co-operation with other specialist bodies if and when it decides to embark on research into management accounting. I believe that organized research on an official basis is necessary for the reason, as Mr Bertram Nelson pointed out in an address to the Dublin Society of Chartered Accountants in December 1955, that in the accountancy profession, unlike medicine, the top men do not engage in research. Yet the accountant has often been called the business doctor and there would seem to be almost as much need for research from the accounting point of view into the corpus of business, with its many varieties and its increasing complexity, as there is for the study from a medical angle of nature's highest organism.

52. One practical example of the necessity for research is the much debated question of accounting for changing price levels. Whatever the inhibitions on the adoption of new methods in the public accounts of companies there can be no doubt that in management accounts there is great need for a new approach to this problem. In this year of grace when inflation has been widely recognized as public enemy number one the need may appear less pressing than some few years ago but he would be a bold man who prophesied a permanent end to inflation. The accountant ought to be able to measure the effect of the changing value of money, whether it changes upward or downward, on all the aspects of business for which he prepares accounting statements.

53. I am indebted to Mr B. J. Davis for the information in a letter published in *The Accountant* of March 15th, 1958, that in 1890 the British Association appointed a committee for the purpose of investigating the best methods of ascertaining and measuring variations in value of the monetary standard.

54. The committee later reported that there should be an official index number each year to show the current value of the currency as compared with a standard number at a stated date.

55. That was in 1890 – perhaps by 1980 the Committee's recommendation will have been implemented and the accountancy profession will be acting on it.

(*To be concluded.*)

Weekly Notes

Increased State Investment

LAST Tuesday, the Chancellor of the Exchequer announced that investment in the public sector in the year 1959–60 is to be allowed to increase by somewhere between £125 million and £150 million above last year's estimated total of £1,425 million. This step is a further effort on the part of the Government to stimulate the economy. To date, the stimulus has been administered through consumer goods, and this is, therefore, a first direct relaxation of control of capital outlay since the end of the credit squeeze.

The impact of the announcement is for the time being psychological. The debate on the state of the economy last Monday was concerned particularly with the level of unemployment. Mr Macleod, the Minister of Labour, said that he expected unemployment to increase to 2·8 per cent in the early months of next year, and thereafter to decrease. This percentage compares with 2·3 per cent for October 1958. It is obvious that the possibility of a general election in the early summer of 1959 makes it imperative for the Government to reverse the trend of unemployment by next spring. The proposed increase in the permissible level of public investment cannot do much to help in this direction. Any increased stimulus from investment by the nationalized industries cannot be felt until late next year. The hope must, therefore, be that the announcement, and any more like it which may come in the next few weeks, will raise business confidence not only to put capital investment plans in the private sector of the economy into operation, but also to encourage re-ordering and the holding of increased stocks. It is by purchases for stock that industry can quickest help the unemployment situation.

Restricting Sale of Medicines

AS reported in our issue of October 18th, the Restrictive Practices Court has held that an agreement subsisting between the members of the Chemists' Federation was void in that it provided that proprietary medicines were to be supplied only to registered pharmacists, such restriction not falling within (*a*) or (*b*) of Section 21 (1) of the Restrictive Trade Practices Act, 1956. On November 3rd the Court's reasons were given by Mr Justice Devlin.

His lordship said that the Court was bound to hold that the restriction was contrary to public policy unless it was justified under one of the categories in Section 21 (1). The Federation had tried to justify it under (*a*) or (*b*) of those categories. Under (*a*) the Federation had to show it was reasonably necessary in order to protect the public. However, the restriction only ensured that the medicines were sold on the premises of a pharmacist, it did not follow that a pharmacist would personally carry out the sale, or that he would be asked to advise about it. Most sales were made by unqualified persons but there was no evidence of any injury to the public.

His lordship went through specific benefits to the public which the Federation claimed for the restriction, so as to bring it within category (*b*). He said that the opportunities for the chemist to give beneficial advice were negligible. The work of the Standards Committee was good work but it seemed to be largely unnecessary now, and therefore could not be said to confer a substantial benefit. As to the claim that the restriction kept pharmacists in business and therefore available for prescription work, the Court was not satisfied that the claim was made out.

The Court refused to grant an injunction restraining the Federation from carrying out the agreement, holding that such an injunction did not automatically follow, the application of the Court's ruling being left in the first place to the good sense of the Federation.

Purchase Tax and Common Sense

WHEN a specialist in goodwill advertising sells such things as propelling pencils to his clients in order that the latter may give them to their customers, and the advertising specialist arranges with a third party to put the clients' names on the pencils, is he applying a process in the course of 'making' the goods, so as to render himself liable to purchase tax? One would have thought that the plain answer was 'no', particularly where no profit is made by the advertising specialist on the engraving process. The Lord Chief Justice has come to the same conclusion, adding that it was necessary to apply a little common sense to the matter (*Francis Hollings & Co v. Commissioners of Customs and Excise*, October 28th, 1958).

Forfeiture of Lorry Using Duty-free Fuel

THE Lord Chief Justice has held that where a vehicle uses fuel in its fuel tank which is subject to forfeiture because no duty has been paid, the vehicle itself can be said to be 'used for the carriage' of the fuel within Section 277 (1) of the Customs and Excise Act, 1952, and is also liable to forfeiture (*Commissioners of Customs and Excise v. Jack Bradley (Accrington) Ltd, The Times*, October 30th, 1958). Some of the defendant's diesel motor vehicles were found at Preston Docks with their fuel tanks containing fuel on which an allowance of rebate of duty had been made. The fuel was kerosene which could be used, mixed with fuel oil, as fuel for the vehicles. It is exempt when used for domestic or agricultural purposes, but when it is used for moving vehicles duty is payable.

His lordship thought that 'carriage' was a very wide word and could be used to cover incidental conveyance of goods, as well as cargo. It was clear that the carriage of the fuel was only incidental to the use of the lorries at the docks but he did not think that the words 'used for' were used in that sense. It meant 'where use has been made of the vehicle to carry'. Accordingly, the Commissioners' seizure of the vehicles was correct, and they were entitled to the condemnation of the vehicles.

World Bank's Record Year

DURING the year 1957–58 the World Bank made thirty-four loans totalling $711 million equivalent. It raised through the sale of its bonds and notes funds amounting to $640 million. The annual report for the year ended June 30th, 1958, comments that the growing number of economic development projects ready and eligible for financing by the Bank indicates that it is now operating at a new and higher level. The year ended last June was in fact a record one and the prospects are for a maintained level of activity in the current year.

Its work has gone beyond the financing of international development. The Bank helped in the negotiations for compensation to be paid by the United Arab Republic for nationalizing the Suez Canal. It helped in the inconclusive discussions which have been going on between India and Pakistan over the waters of the Indus basin. It helped the Italian Government with a study on a nuclear power station for southern Italy and when the bids were opened to international competition it organized an international panel to analyse the tenders.

Seven new countries joined the Bank in the year under review. These were Ghana, Eire, Malaya, Morocco, Saudi Arabia, Sudan and Tunisia. This brings its membership up to sixty-seven countries and its subscribed capital to $9,405 million.

National Insurance Benefits

NATIONAL Insurance benefits, carefully graded in accordance with individual and family needs, are inevitably accompanied by complications; complications moreover which are not easily assimilated by the masses of potential beneficiaries. The Ministry of Pensions and National Insurance has published a revised edition of a most useful booklet[1] which sets out clearly how, when, and where to claim benefit. The anonymous draftsman of this booklet has contrived to avoid entirely the confusing jargon which mars so much official literature. In short, simple, incisive sentences he gives the information in a manner which must be intelligible to people with the meanest mental equipment. We particularly liked one paragraph which consists of a single sentence as follows: 'The safest rule is to claim at once.'

Provided that such language is accompanied by a warning that the final interpretation of the law lies with independent tribunals, which this publication duly contains, there is no reason why all official circulars should not be equally simple in their language.

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[1] *Benefits No.4 – How, When and Where to Claim.*

Besides being a complete vade-mecum of how to claim benefit, the booklet includes tables of the current standard weekly rates of benefit over the whole field of National Insurance. Copies are available on request from the Information Division of the Ministry at 10 John Adam Street, London, WC2.

Industrial Assurance

THE annual report for 1957 of the Industrial Assurance Commissioner was published last Monday and deals with the industrial assurance business transacted by fourteen companies and ninety-seven collecting societies during the year.[1] Industrial assurance business may be briefly defined as the business of effecting life assurances where the premiums are payable at intervals of less than two months and are received by collectors who make house to house visits for the purpose.

For the first time for several years the number of new industrial assurance policies effected during the year showed an increase, from 5,672,000 in 1956 to 5,848,000 in 1957. The total amount assured by new business reached a new record figure of £344,981,000. The average sum assured by each new policy was £59 as compared with £19 in 1937.

During the year 1,614,000 paying policies were converted to free policies, of which 531,000 were for the full sums assured; 2,292,000 policies (including 826,000 free policies) were surrendered for cash and 982,000 policies were forfeited without grant of a free policy or cash surrender value. There were 119,700,000 policies in force at the end of the year, or 617,000 less than at the end of the previous year. Premium income for the year again increased, from £163,799,000 to £170,439,000. A total of £38,536,000 was paid out on death claims and £49,472,000 on claims on maturity, both being record figures.

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[1] *Report of the Industrial Assurance Commissioner for the Year 1957*. H.M.S.O., 3*s* net.

Finance and Commerce

Asset Value Problem

A MISAPPREHENSION in the City regarding the net asset value of the shares of Arcolectric (Holdings) Ltd, for which a stock exchange quotation has recently been granted, prompts us to present the facts in this column. An important point is involved, not least for accountants, and, in similar circumstances, there may well be a case for a clearer indication of the assets position in published 'statements for information'.

We are dealing with a holding company which – at an extraordinary meeting on August 21st – emerged from a tin-mining company which had sold its properties and was moving towards liquidation when it was reconstructed for its present purpose. In its new form, it has an issued capital of £83,500 in 1*s* shares and a holding of all the issued capital of Arcolectric (Switches) Ltd which, among other things, makes signal indicator lamps for motor vehicles.

The consideration was £49,500 in 990,300 1*s* shares and £175,500 in cash of which £143,500 remains outstanding as an unsecured liability to be discharged at the directors' discretion.

Unpaid Consideration

The particulars published on October 15th showed that 331,000 of the consideration shares were bought by brokers for £16,550 and the market opened in the following week on the basis of a price of 1*s* 9*d*. Incidentally, it may be of interest to mention that the expenses of the capital reorganization and the acquisition of the operating company's capital, including stamp duty, fees to the stock exchange, accountants, solicitors, valuers and brokers came to approximately £7,000, and were borne by the holding company.

Reproduced from the statement for information are the profit record, details of net assets of the operating company and the profit and dividend prospect. The operating interest was acquired from August 1st and out of the three months' post-acquisition profits to October 31st, a dividend of 7½ per cent is to be paid next March.

The question may be posed: What is the net asset value of the holding company's shares? Obviously, the unpaid portion of the cash consideration must be taken into account; Note 2 in the notes to the net assets statement is also relevant. The suggestion is made that the substantial unsecured liability of the holding company for the unpaid consideration might well be brought into the context of the operating net assets statement to show clearly that the holding company's shareholders must clear off the debt before they can reckon that the £190,295 is, in effect, theirs. The holding company, of course, has not yet published accounts in its new form.

Cinema's Enemies

PUBLICATION of the accounts of the Rank Organisation recently filled the headlines with fears for the future of the cinema and film industry. We should like to have reprinted the full accounts and statistics but with the Rank parent and consolidated accounts, as well as the accounts of Odeon Associated Theatres Ltd, of Odeon Properties Ltd, of Gaumont-British Picture Corporation Ltd (parent and consolidated), British & Dominions Film Corporation Ltd (parent and consolidated), the space

To the Directors of
ARCOLECTRIC (HOLDINGS) LIMITED; and
ARCOLECTRIC (SWITCHES) LIMITED
Central Avenue,
West Molesey, Surrey.

13th October, 1958.

Gentlemen,—We were appointed Auditors of Arcolectric (Holdings) Limited (below called "the Company") on 21st August, 1958. The Company has declared no dividends in respect of the five financial years last preceding the date of this Report and no accounts of the Company (other than those of the former Liquidator) have been made up in respect of the five years ended on 14th July, 1958.

We have, or one of our partners has, audited the Accounts of Arcolectric (Switches) Limited (below called "Arcolectric") from its incorporation and in respect of the 12 years ended on 31st October, 1957, we report as follows:

1. Profits.—The profits or loss of Arcolectric as defined below were:

Year ended 31st October	Profit or Loss	Year ended 31st October	Profit
	£		£
1946	6,673	1952	1,439
1947	8,371	1953	20,838
1948	Loss 5,661	1954	32,919
1949	2,059	1955	44,203
1950	3,369	1956	55,889
1951	10,141	1957	62,153

(1) The profits and loss set out above have been arrived at after making such adjustments as are in our opinion appropriate and after charging all expenses, including Directors' emoluments and depreciation but before providing for taxation.

(2) Depreciation charged is as provided in the audited Accounts and in the aggregate for the period covered by our Report is more than the corresponding annual income tax allowances excluding initial and investment allowances.

(3) The Directors' emoluments for the year ended 31st October, 1957 amounted to £6,161. Under the arrangements now in force, the Directors' emoluments for that year would have amounted to £7,690.

2. Net Assets.—The assets and liabilities of Arcolectric as at 31st October, 1957, based on the audited Balance Sheet as at that date and Messrs. John D. Wood & Co.'s Valuation of the freehold property dated 20th August, 1958, were as follows:—

		Cost or Valuation	Accumulated Depreciation	
FIXED ASSETS:	£	£	£	£
Freehold property, as valued by Messrs. John D. Wood & Co.		72,000		72,000
Plant and machinery:				
Book value at 31st October, 1948	6,039			
Additions at cost	19,366			
		25,405	10,540	14,865
Motor vehicles at cost		4,256	1,069	3,187
Fittings and equipment at cost ..		2,566	1,084	1,482
		£104,227	£12,693	91,534
CURRENT ASSETS:				
Stocks at lower of cost or market value as certified by the Directors			16,351	
Debtors and prepayments, *less* reserve..			32,209	
£4,500 3½ per cent. Defence Bonds at cost			4,470	
Cash at bank and in hand..			88,663	
			141,693	
LESS:				
CURRENT LIABILITIES:				
Creditors and accrued charges ..		8,258		
Current taxation including income tax, 1957/58		25,518		
Directors' current accounts		7,431		
Proposed final dividend (*less* income tax)		1,725		
			42,932	
NET CURRENT ASSETS				98,761
NET ASSETS OF ARCOLECTRIC (SWITCHES) LIMITED				£190,295

NOTES.

(1) Outstanding commitments for capital expenditure at 31st October, 1957, amounted to £2,138.

(2) No amount has been deducted in respect of Schedule D income tax for 1958/59 which is based on the profits for the year ended 31st October, 1957, and is estimated at £25,500.

(3) No Accounts of Arcolectric have been made up and audited to a date since 31st October, 1957.

Yours faithfully,
METCALFE COLLIER, BLAKE & CO.

PROFITS AND DIVIDENDS.—It will be seen from the Auditors' Report that Arcolectric's profits have steadily increased over the last nine years with the exception of 1952, when the effects of the Korean War led to a worldwide scarcity of raw materials.

On the basis of unaudited figures for the eight months to 30th June, 1958, and in the light of information available since that date the Directors are satisfied that the profits before taxation of Arcolectric for the year ending 31st October, 1958, will be not less than those for 1957. The issued share capital of Arcolectric was purchased by the Company as from 1st August, 1958, and the profits earned prior to that date will therefore be pre-acquisition profits and will not be available for distribution by way of dividend to shareholders of the Company. Out of the profits for the three months from 1st August, 1958 to 31st October, 1958, the Directors of the Company intend to recommend for that period a dividend of 7½ per cent. for payment in March, 1959, which after deducting tax at the standard rate would cost £3,601.

Having regard to the flow of repeat orders for established products and to the successful development of new lines by Arcolectric, the Directors are of the opinion that sales of Arcolectric will continue to increase so that, given normal trading conditions, profits for the year ending 31st October, 1959, should also be not less than those for the year ended 31st October, 1957, i.e. £62,153. In this event the Directors of the Company would recommend the payment for that year of a total dividend of at least 15 per cent. less tax, of which 5 per cent. would be paid as an interim in September, 1959, with a final dividend in March, 1960.

	£
On the basis of profits before taxation of..	62,153
after deduction of income tax at 8s. 6d. in the £ and profits tax at 10 per cent. amounting to	32,630
there would be left a balance of	29,523
A dividend of 15 per cent., *less* income tax at 8s. 6d. in the £ would cost	7,202
leaving for reserves and carry forward	£22,321

Under the terms of Contract No. (1) below, annual interest at the greater of the average of Bank rate during the year or 4 per cent. would be payable on the balance of the purchase consideration outstanding on or after 1st August, 1963. On the basis of a rate of 4½ per cent. per annum in a full year the maximum amount by which the balance for reserves and carry forward would in these circumstances be reduced is £3,067.

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involved is prohibitive. The accounts clearly show, however, what is happening to the finances of the film industry.

The great enemies are television and taxation. As Lord Rank states 'Some £12 million per annum, or approximately 15 per cent of receipts, continues to be paid by the cinema industry in entertainments tax from which all other forms of entertainment are free.' Against television, the fight is being waged by the setting up of an authority 'empowered to purchase, at fair market prices, the television rights of British feature films which would otherwise have been shown on television screens. The necessary funds are to be provided with a levy on box office receipts, initially fixed at ½*d* per admission with exemption for small cinemas'.

Heavy Tax

Apart from entertainments tax, no less than £1,558,404, or 87 per cent (against 64 per cent) of the group net profit of £1,781,499 is absorbed by taxation. The rate of profits tax is higher, Lord Rank explains, since larger proportions of group profits are being distributed; certain losses incurred overseas do not qualify for United Kingdom taxation relief; and thirdly, no taxation allowances, Lord Rank points out, are granted in respect of depreciation of cinema buildings.

To emphasize the inequity of the third point, he says that depreciation provided this year by the six major exhibition companies in the group has exceeded the corresponding taxation allowances by about £500,000, the shortfall having to be provided out of taxed profits.

In a difficult year such as this, Lord Rank adds, the shortfall of taxation allowances, which remains fairly constant, has a serious impact on the percentage which the taxation charge bears to profits, and in consequence on the return shown on the shareholders' investment.

'Let it be so'

THE surplus before taxation is £995,486 – just a few thousands under a million pounds, said Sir Graham Cunningham, chairman of Triplex (Holdings) Ltd (the safety glass group) at the company's annual meeting recently. Without any difficulty at all, he added, the board could have brought that surplus up to seven figures. It did not, however, fall to the temptation to do so, although a million pounds sounded a 'nice round sum of profit'. Instead, he went on,

> 'we made all the proper and appropriate provisions without regard to what the ultimate results would be and we saw they were just short of the seven-figure mark. We said "let it be so" and with your approval, it is so'.

No doubt the Triplex board will continue to exercise such commendable self-control in the matter of profit computation. As we all know, profit figures are not reached by a formula. 'Proper and appropriate' provisions may be necessary and in thus providing, prudent judgment is needed. It is when judgment is involved with a desire to reach a particular figure that 'profit' becomes meaningless, and we are reminded of a company chairman who, in the days when accounts were not as clear as they are now, advised shareholders not to rely too much on the figures before them. Other figures, he said, could have been produced which could equally well have earned a clear certificate!

Next Week's Reprint

The reprint in next week's issue will be from the accounts of The Calico Printers' Association, Ltd.

CITY NOTES

WITH the fresh stimulant of the Government's latest plans to expand industrial activity the stock-markets have been able to make fresh headway. This week the announcement of an extra £125 to £150 million of State investment followed hard on the heels of the previous week's lifting of the remaining hire-purchase controls.

While these internal measures are being taken the external economy remains strong with a further increase in gold and dollar reserves recorded for October.

Still concentrating on the hopeful future the stock-market is able largely to ignore the current position of under-production in the heavy industries, although it is noticeable that shipbuilding and heavy engineering shares lag behind the advance in the general run of industrial equities.

A current feature of the markets is activity in new industrial issues. Very heavy oversubscription has attended recent offers and the autumn new issue season bids not only to be active but also successful. Whether that success will extend to the gilt-edged market is another matter. The market remains quiet with investment demand at a low ebb.

'Safety' investment continues to be made in National Savings and in Corporation Mortgage Loans rather than in the gilt-edged market as such.

National Savings already show a net increase of £150 million since last March and the strength of the movement continues to provide the building societies with a severe problem in raising new lending resources. It is hardly surprising under such conditions that the societies seem to have given a rather lukewarm reception to the Government's plans for assisting them in the matter of lending funds for 95 per cent or even 100 per cent mortgages.

RATES AND PRICES

Closing prices, Wednesday, November 5th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

Aug. 29	£3 15s 2·47d%	Oct. 3	£3 14s 1·39d%
Sept. 5	£3 14s 0·93d%	Oct. 10	£3 13s 0·72d%
Sept. 12	£3 13s 6·81d%	Oct. 17	£3 12s 3·08d%
Sept. 19	£3 11s 9·20d%	Oct. 24	£3 13s 7·94d%
Sept. 26	£3 12s 6·10d%	Oct. 31	£3 11s 8·23d%

Money Rates

Day to day	2¾–3⅛%	*Bank Bills*	
7 days	3⅛–3⅜%	2 months	3 11/16–3¾%
Fine Trade Bills		3 months	3 11/16–3¾%
3 months	4½–5¼%	4 months	3 11/16–3¾%
4 months	4½–5¼%	6 months	3 11/16–3 13/16%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 11/16–¾	Frankfurt	11·69⅞–·70
Montreal	2·72⅛–3/16	Milan	1746–½
Amsterdam	10·57 9/16–11/16	Oslo	20·00⅛–⅜
Brussels	139·53–·54	Paris	1177⅝–⅞
Copenhagen	19·35¼–½	Zurich	12·22⅞–·23⅛

Gilt-edged

Consols 2½%	52¼	Funding 4% 60–90	88¼xd
Consols 4%	75 9/16	Savings 2½% 64–67	83
War Loan 3½%	66 15/16	Savings 3% 55–65	89½
Conversion 3½%	67	Savings 3% 60–70	79 15/16
Conversion 3½% 1969	86½	Savings 3% 65–75	74 7/16
Exchequer 5½% 1966	102⅛	Treasury 2½%	50⅛
Funding 3% 66–68	83⅜	Treasury 3½% 77–80	77 15/16
Funding 3% 59–69	82 1/16	Treasury 3½% 79–81	76 15/16
Funding 3½% 99–04	73 13/16	Victory 4%	94⅞

Current Law

Ownership of Matrimonial Home

IN *Silver v. Silver* ([1958], 1 All E.R. 523) a husband applied under Section 17 of the Married Women's Property Act, 1882, for a declaration that he was beneficially entitled to property which constituted the matrimonial home. The applicant and the respondent were married in 1931 and in 1933 a house in Wembley was bought for £895, of which £90 was provided by the wife's parents and the rest borrowed from a building society. In 1944 that house was sold for £1,700 and a house at Bournemouth was bought for £2,000 of which £1,500 was borrowed from a building society, the balance being met out of the proceeds of sale of the first house. In 1948 the second house was sold for £4,500 and another in Bournemouth was bought for £3,400, of which £1,385 was borrowed from the building society, the balance being met from the proceeds of sale of the second house. Finally, in 1950, that house was sold for £3,450 and another house, also in Bournemouth, and the subject of the application, was bought for £4,950 of which £2,500 was borrowed from the building society, the balance being met out of the proceeds of sale of the third house. All four houses were conveyed into the name of the wife, and in each mortgage the husband joined as guarantor and the mortgage payments of principal and interest were paid out of the weekly allowance made by the husband to the wife. In 1956 the husband left the wife and the matrimonial home.

The judge of the Bournemouth County Court held that the wife was entitled to the house and the Court of Appeal, with evident reluctance, dismissed the husband's appeal. There was a presumption that the mortgage moneys repaid by the husband were gifts to the wife, as the houses had been bought successively in the wife's name, and the evidence was so scanty as not to warrant the Court of Appeal interfering with the decision of the County Court judge that the presumption of advancement was not rebutted. It was conceded for the wife that from the date of the separation of the parties sums which the husband paid and would have to pay as guarantor were sums which as between husband and wife he could treat as charged on her interest: that is to say, the husband was subrogated to the mortgagee's rights. It is of interest to note that Parker, L.J., in the course of his judgment observed that in the case of a family asset such as the matrimonial home or the furniture, acquired for the joint use of the spouses, the presumption of advancement could be easily rebutted, the case being different from that where what was acquired was for instance for the wife's personal use.

Forfeiture caused by Maintenance Order

A TESTATOR directed his trustees to hold a fund on the protective trusts contained in Section 33 of the Trustee Act, 1925, for his grandson until he reached the age of 35 years and thereafter for him absolutely,

> 'provided that he has not attempted to do or suffer any act or thing or any event has happened . . . whereby he would then or at any time thereafter be deprived of the right to receive the capital or income or any part thereof'.

In such an event the trustees were to hold the income of the fund on protective trusts for the grandson during his life in accordance with Section 33. The testator further provided that if his grandson should die before attaining the age of 35 or the protective trusts for his benefit after his attaining that age should come into operation, then on his death the trustees should hold the capital and income of the trust fund upon trust for such of his children who should attain the age of 21 years, if more than one equally. On June 3rd, 1955, in proceedings in the Probate Divorce and Admiralty Division an Order was made that the grandson should charge his interest under the will with the payment of £50 per annum interim maintenance to his wife, the petitioner in divorce proceedings, and that the necessary deed to effectuate the charge should be settled by Conveyancing Counsel of the Court. No deed was settled. On October 24th the grandson attained the age of 35. On August 27th, 1956, he was adjudicated bankrupt. In *Re Richardson's Will Trusts, Public Trustee v. Llewellyn-Evans' Trustees and Another* ([1958] 1 All E.R. 538), the trustee of the will issued a summons for determination whether, on the true construction of the will and in the events which had happened, the fund vested in the grandson absolutely on his attaining the age of 35, so that it was now held upon trust for his trustee in bankruptcy, or whether the order of the Court effected a forfeiture of his contingent absolute interest. Danckwerts, J., was satisfied that the effect of the order was to create, or attempt to create, an equitable charge upon the grandson's interest in the trust fund so that there was a forfeiture at the date of the order, the grandson's right to receive the income thereupon determined, and a discretionary trust thereafter subsisted in accordance with Section 33 (1) (ii) of the Trustee Act. It followed that the trustee in bankruptcy was not entitled to any part of the property.

Inquiry as to Debtor's Dealings

IN 1947 a debtor started proceedings under the Rules of the Supreme Court, Order 52, Rule 25, for an account, his object being to obtain information about dealings in property which his solicitor had carried out on the debtor's behalf. An order was duly made in 1948. In 1950 the debtor was adjudicated bankrupt and the Official Trustee, as his trustee in bankruptcy, carried on the proceedings, but failed to get the required information. The trustee then obtained a summons under Section 25 (1) of the Bankruptcy Act, 1914, directed to the solicitor, as a person capable of giving information respecting the debtor's dealings or property, to appear before the Court for examination. The solicitor applied to set the summons aside on the grounds that the proceedings under Order 52, Rule 25, was such as to make the matter sought to be pursued under Section 25 *res judicata*, that the summons was an abuse of the process of the Court and was oppressive in that it covered the same ground as the earlier proceedings, and that the trustee in bankruptcy had been guilty of inordinate delay.

In *Re a Debtor* (*No. 472 of 1950*) ([1958] 1 All E.R. 581) the Court of Appeal refused to set the summons aside. Jenkins, L.J., delivering the leading judgment pointed to the wide difference between proceedings under Order 52, Rule 25, and under Section 25 of the Bankruptcy Act, the former type of proceedings being directed to providing a summary means of causing solicitors to account for the cash and securities in their hands and the like, while the latter were by no means confined to persons who were accountable to the trustee through their relationship with the debtor. The doctrine of *res judicata* did not apply and the proceedings under Section 25 did not constitute an abuse of the process of the Court. Had the applicant carried out his plain duty to give the information sought from him the prospect of an examination under Section 25 would have been averted and he could not therefore complain of oppression. On the facts the Court was satisfied that the trustee had not been guilty of delay, that delay having been caused initially by lack of funds in the trustee's hands and latterly more by the Fabian tactics of the applicant than any remissness on the trustee's part.

Intention to Reconstruct: Relevant Date

THE House of Lords (Lord Keith of Avonholm dissenting), in *Betty's Cafés Ltd v. Phillips Furnishing Stores Ltd* ([1958] 1 All E.R. 607), has affirmed the decision of the Court of Appeal ([1957] 1 All E.R. 1) that the relevant time at which a landlord's intention as described by Section 30 (1) (*f*) of the Landlord and Tenant Act, 1954, must be shown to exist for the purposes of that paragraph is the time of the hearing of the application for a new tenancy, and not any earlier time. In his leading judgment Viscount Simonds pointed out that in regard to paragraph (*f*) nothing more was required of the landlord than that he should state that he would oppose the application on the ground that, on the termination of the current tenancy, he intended to do certain work and so on. All was still in the future and, except for the purpose of challenging his bona fides, which was not in the instant case in question, nothing that had happened in the past had any relevance. His lordship rejected an argument (which was apparently not dealt with in the Court of Appeal) that on the true construction of Section 30 a reconstruction or other work such as was specified in paragraph (*f*) was not intended within the meaning of, and did not fall within, the said paragraph, if the landlord's intention to carry out the work was conditional on his obtaining possession of the premises for his own occupation and the sole object of the work was to adapt the premises for the purposes of the business which he desired to carry on therein. Dealing with this argument Lord Morton of Henryton expressly approved the dictum of Parker, L.J., in *Fisher v. Taylors Furnishing Stores Ltd.*

Dealing with the question of the length of the term which should have been granted had the application by the tenant been successful, Lord Morton said that he preferred the view of the Court of Appeal that it should have been for five years only, and not fourteen years, the term ordered by Danckwerts, J., when the case was before him at first instance ([1956], 2 All E.R. 497). Lord Morton said that he could not help feeling that, in granting a term of the maximum length, the learned judge might have overlooked a consideration which seemed of great importance: where the landlord in opposing the grant of a new tenancy proved the ground of objection set out in Section 30 (1) (*g*), namely, that he intended to occupy the holding for the purposes of a business to be carried on by him therein, the Court could only grant a new tenancy where the case came within subsection (2) of Section 30 because the landlord had purchased his interest within the previous five years. The fact that the power imposed by subsection (2) could not exceed five years in length gave an indication of the policy of the Act in cases coming within paragraph (*g*).

Master's Right to Indemnity

THE plaintiff in *Harvey v. R. G. O'Dell Ltd and Another* (*Galway, Third Party*) ([1958] 1 All E.R. 657) claimed that his employer, the first defendant, was liable to him in respect of injuries which he received in an accident in which he was involved as a passenger in a motor cycle combination driven and owned by G., who was also in the first defendant's employment. There was evidence that G. was allowed by his employer to use his motor cycle in the course of his duties and, on the facts, McNair, J., found that at the time of the accident G. was acting within the scope of his employment with the result that the first defendant was vicariously liable for his negligence. G. himself was killed in the accident and the first defendant joined his administratrix as a third party, claimed to be indemnified out of the deceased's estate, first, on the ground that he was a tortfeasor who would, if sued, have been liable to the plaintiff, and that, accordingly, there being no personal blame alleged against the first defendant, it was entitled to claim a 100 per cent contribution pursuant to Section 6 of the Law Reform (Married Women and Tortfeasors) Act, 1935, and, secondly, on the ground that it was a term of the deceased's contract of employment that he would so conduct himself as not, by negligence on his part, to impose liability on the defendant.

McNair, J., held that the first defendant was not entitled to succeed in its claim against the third party on the second ground because G. was employed as a storekeeper, and not as a driver, and there was no implied term in his contract of employment that he would indemnify his employer for failure on his part to drive with care: his lordship distinguished *Lister v. Romford Ice and Cold Storage Co Ltd* ([1957] 1 All E.R. 125). The first defendant succeeded, however, on the first ground. Although the cause of action for contribution did not arise until judgment against the first defendant, the claim for contribution was subsisting at G.'s death and therefore survived under Section 1 of the Law Reform (Miscellaneous Provisions) Act, 1934; although more than three years had elapsed between G.'s death and the delivery of the third party notice, this did not matter, as the right of contribution was a right *sui generis* conferred by statute and was not a cause of action in tort and therefore the time limit imposed by Section 1 (3) of the Act of 1934 did not apply, accordingly the claim of the first defendant succeeded.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Uniform Cost Accounting Study

SIR, – I am beginning a study on the subject of 'Uniform cost accounting' in order to try to develop a formal scheme which will be utilizable by virtually all trades and industries.

In order to avoid duplication of effort, I should be most grateful if your readers would bring to my attention work which has been done in this field, and which may conceivably escape my notice. I should also be very glad to hear from readers who hold views on the subject.

I am particularly anxious to obtain copies of all publications of trade associations on costing or accounting generally. Some of these appeared twenty or more years ago and are now unobtainable from the usual sources.

Yours truly,
KENNETH S. MOST.
University of Manchester.

Charitable Gift

SIR, – Mr E. L. Upshaw's letter in your issue of October 18th suggests that the gift by a limited company of a motor-car (value £500) to a charitable body should be allowed by the Inspector of Taxes, but otherwise if the donation had been cash I presume the £500 value means the ordinary selling price.

The car thus given away, being an item of stock-in-trade, is money's worth which the company had elected to part with as a pure gift, not only sacrificing profit but losing also what it cost them to acquire the vehicle.

The fact that they may choose to forgo a profit-making proposition does not warrant debiting £500 to donations account; yet if they had debited what the car cost them the picture might have looked fairer.

By crediting purchases account, as they have done, one may easily miss the actual purchase figure for a particular trading period, which should preferably be the one used irrespective of the fact that the company gave anything away.

I suggest that the cost of the car to the company – possibly less than £500 – could have been credited to stock account, thereby revealing a plain loss of £x.

As to whether, even so, the Inspector would have allowed anything or not, I fail to see why, in principle, he should, any more than he did for the car valued at £500 in question, unless it can be shown that items similar in character or value have been allowed in the past.

I, too, should be interested in other views.

Yours truly,
East Molesey, Surrey. WILLIAM NEWTON.

Balancing Charges

SIR, – As a result of the fire at Smithfield Market, London, earlier this year, many tenants will be faced with balancing charges on plant etc., where the insurance moneys exceed the tax written down values. In many cases the plant will not be replaced until the market is rebuilt which we understand will be in approximately two years time and it would therefore appear that tax will have to be paid on the balancing charges as the replacement cost will not be known.

We would be interested to learn if any of your readers have in similar circumstances received a concession whereby tax could be held over until the plant is replaced.

Yours faithfully,
CHARTERED ACCOUNTANTS, EC1.

Taxation Case

A full report of the case summarized in this column will be published, with Notes on the Judgment, in the 'Annotated Tax Cases'.

Maden & Ireland Ltd *v.* Hinton

In the Court of Appeal – October 9th, 1958

Before the MASTER OF THE ROLLS (Lord EVERSHED), Lord Justice SELLERS and Lord Justice PEARCE)

Income tax – Investment allowances – Knives and lasts – Whether machinery or plant – Whether implements, utensils or articles – Whether capital expenditure – Income Tax Act, 1952, Section 137 (d) – Finance Act, 1954, Section 16 (3).

The appellant carried on business as a manufacturer of boots, shoes and slippers. A number of heavy machines were used in the business, and the knives and lasts were inserted into the machines. The knives wear out quickly and have to be replaced frequently. Every type of shoe requires its own shape of knife and last. The machines cannot function without the knives and lasts, and the knives and lasts are useless except when placed in the appropriate machines. About £6,000 a year was spent on maintaining the stock of knives and lasts of which one-sixth had been allowed as a deduction every half-year over three years in arrear in computing the appellant's profits for tax purposes

It was contended on behalf of the respondent that the expenditure on the knives and lasts was not expenditure on capital account, but on revenue account; and that they were not parts of the machines, but were chattels. It was contended on behalf of the appellant that the expenditure was on capital account, since it was expenditure on machinery or plant, and was entitled to an investment allowance. The Special Commissioners decided in favour of the appellant.

Held, (reversing the judgment of Mr Justice Vaisey): (1) that the knives and lasts were machinery or plant; (2) that the expenditure was capital expenditure; (3) and that an investment allowance should be made in respect of that expenditure.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

Special and Ordinary Meetings of the Council

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Belfast on October 23rd. The President, Mr James Walker, was in the chair. Also present were: Messrs D. McC. Watson, *Vice-President*, H. E. A. Addy, John Bacon, Mervyn Bell, Robert Bell, A. S. Boyd, G. A. P. Bryan, G. E. Cameron, Frank Cleland, M. M. Connor, A. E. Dawson, James Graham, N. V. Hogan, G. F. Klingner, John Love, R. J. Neely, R. P. F. Olden and H. W. Robinson, with the *Secretary* and the *Joint Secretary and Treasurer* in attendance.

Apologies for absence were submitted from Messrs J. F. Dempsey and R. E. McClure.

Death

The recent death of Wilfred Hugh Fitzsimons, F.C.A., of Islandmagee, Co. Antrim, a former President of the Institute and a member of the Council from 1938 to 1955, was noted with deep regret.

Resignation

The Council accepted the resignation from membership of the Institute of Gerald Francis Murtagh, A.C.A., Dublin.

Fellowship

Thomas John Ferguson Griffith, A.C.A., Belfast, was elected to Fellowship.

Membership

The following candidates, who passed the Institute's Final examination held in May 1958, were admitted to membership as Associates not in practice:

Oliver, Thomas Cyril David, Dublin; O'Neill, Jack Gerard, Dublin.

An application for readmission to membership from John Cornelius Richard Ferris, London, was acceded to. One application for reinstatement as an Associate was acceded to.

Committee on Co-operative Societies

A memorandum prepared by a special committee was considered, and was approved for submission to the Committee on Co-operative Societies appointed by the Minister for Industry and Commerce in the Republic of Ireland.

Annual Subscriptions: Taxation Relief

It was reported that the Commissioners of Inland Revenue had approved the Institute for the purposes of Section 16, Finance Act, 1958, which provides that subscriptions paid to professional and other bodies approved by the Commissioners may in certain circumstances be allowed as a deduction in computing a member's liability to income tax under Schedule E.

Disciplinary Committee

The Council received a report of the findings and decisions of the Disciplinary Committee at a meeting held on October 23rd, 1958.

The Committee found proved formal complaints preferred by the Investigation Committee against two members to the effect that each of these members had failed to pay his subscription to the Institute for the year 1958 within the period prescribed by the bye-laws.

The Committee ordered that the two members be suspended from membership.

FUTURE RECRUITMENT TO THE PROFESSION

Views of Scottish Institute's President

Speaking at the annual dinner of the Association of Scottish Chartered Accountants in London, held at *The Savoy Hotel* on November 3rd, Mr R. Ian Marshall, B.COM., C.A., President of the Scottish Institute, said:

'For my part I am somewhat troubled about the question of future recruitment. I am not thinking parochially – not of the Institute as compared with the English Institute, or of accountants as compared with lawyers – but of recruitment to the professions as a whole. For many years now leaders of professional bodies have expressed anxiety as to the numbers and the quality of the recruits coming forward and some speakers have pinned their hopes on the possibilities of greater selection when that famous bulge finds its way out of the schools and universities. I am pessimistic about the present and the immediate past – naturally perhaps I am quite pleased with the elderly members – but I am wondering whether in the future the professions will be able to recruit a sufficiency of those young men and women of the highest calibre on whom the future of each profession must ultimately depend.

University Education

'Thanks to a vast outpouring of public money, university education is now available to almost everyone who has the ability to take advantage of it – and to many who have not. That is a good thing so far as it goes. It was reported in the Press a few days ago that in 1938 there were 50,000 students at universities in the United Kingdom. In 1958 the numbers had grown to 100,000 and in ten years' time it is expected that there will be between 130,000 and 150,000. But our profession cannot be learned wholly in the classroom, although lectures must play an important part in the student's training. We must continue to depend largely on the practical training in the master's office – and the State makes absolutely no contribution towards the cost of that.

'It seems to me that the present trend of events is towards the following results:

(1) that economic pressure drives more and more of our young people to seek state-aided courses leading to degrees or diplomas;

(2) that the subjects of their courses become more and more unsuitable as a basis for entry to or study for a non-specialized profession such as ours; and

(3) that further economic pressure then prevents these specialized graduates from serving apprenticeships even if they have the wisdom to realize that a professional qualification is likely to be the best foundation for a satisfying and remunerative career.

'Like all professions, we want our fair share – of course we want really rather more than a fair share – of the top flight among the young entry and we must see that somehow we get it.

'The Government, the University Grants Committee and the universities have a tremendous responsibility in this matter; it would be a sad day for the country if all the best brains were, from their early years, diverted, say, into the sciences and away from the other professions.

Awards from Public Funds

'Recently, as you know, a committee was appointed under the chairmanship of Sir Colin Anderson to consider the present system of awards from public funds to students attending first-degree courses at universities and comparable courses at other institutions. The recommendations of that committee may have an important effect on the orientation of the careers of our young people in the future The membership of that committee consists wholly o representatives of universities, of teachers, of local authorities, with one trade union secretary, one representative of the British Employers' Confederation and one managing director in charge of research and development. Does i surprise you that there is no one on the committee pu there to represent any of the professions other than teaching

An Omission

'Our Council has made representations with regard to this omission and other professional bodies have taken similar action but without success. It has transpired that one member of the Anderson Committee is a practising solicitor although his membership of that committee is due to his being president of the council of a university. I feel most strongly that the situation reveals a lack of appreciation of the needs of the professions and of their importance to the community. The professional bodies must, however not stand idly by and wring their hands. They must take action to see that their case does not go by default.

'The Scottish Institute is more than 100 years old and as you have been told many times before – but it can stand repetition – it is the oldest existing accountancy body in the world. That fact places an added responsibility on our shoulders and despite any misgivings that I have expressed tonight I am confident that as well as a past, we have a future.' (*Applause.*)

Better Prospect

Lord Keith of Avonholm proposed the toast of 'The Institute of Chartered Accountants of Scotland' and said it gave him a feeling of security to be among so many chartered accountants.

'I feel quite at home in having to propose this toast. It was Dr Johnson who said that the finest prospect to a Scotsman was the high road to England. For my part I think the better prospect is the road back. (*Hear, hear.*) That of course may not appeal to the London association. It may well be that they prefer the flesh-pots of London to the bare pastures of Scotland, and I do not know that perhaps one can blame them, because Boswell, to whom Johnson made that remark, could not tear himself away from London.'

They could all look back with pride across the border to the Institute of Chartered Accountants of Scotland, he said, and recalled that he had known many eminent chartered accountants in Scotland.

'It has always been said that there is a close association between the legal profession and accountancy, and that I think is perfectly true. I am not entirely clear why the legal profession ever allowed accountants to come into existence. I am sure there was a time when the lawyer and the man of business thought he was as good an accountant as anyone, and after all his special preoccupation was account, charge and discharge, but of course I think the legal profession may think differently nowadays.'

No Geographical Limits

Accountancy, he said, was a specially favoured profession. It had no geographical limits. The world was its oyster, and the special knowledge and skill of the chartered accountant could be put to use in any part of the world.

'A great deal has been said about the need for scientists, and it may well be that the number of people seeking to be scientists may increase, but we cannot all be scientists, and as long as the Institute maintains the high standard and tradition of the past I see no reason to fear for the future of the profession.'

Mr J. G. Girdwood, C.B.E., C.A., proposed the toast 'Our Guests' and in reply Mr W. L. Barrows, LL.D., F.C.A., President of the English Institute, referred to the committee set up by the English Institute to consider education and training, and pointed out that an open invitation had been extended to interested persons to submit written or oral evidence. He said in conclusion: 'We have recently formed a standing joint committee for Scotland, Ireland and England and Wales. There is no doubt that the work of that committee is going to do much for the good of the profession.'

The Company

Mr J. S. Wilson, C.A., was in the chair, and among those present were the Right Hon. Lord Keith of Avonholm; Mr R. Ian Marshall, B.COM., C.A., (*President, The Institute of Chartered Accountants of Scotland*); Mr W. L. Barrows, LL.D., F.C.A. (*President, The Institute of Chartered Accountants in England and Wales*); Sir Alexander Johnston, K.B.E., C.B. (*Chairman, Board of Inland Revenue*); Mr J. Walker, C.B.E., C.A., F.C.A. (*President, The Institute of Chartered Accountants in Ireland*); The Lord Ritchie of Dundee (*Deputy Chairman, London Stock Exchange*).

Mr H. J. Furness, F.C.W.A. (*President, The Institute of Cost and Works Accountants*); Sir Sydney Littlewood (*Vice-President, The Law Society*); Sir Matthew W. Drysdale (*Past Chairman of Lloyds*); Sir Thomas B. Robson, M.B.E., M.A., F.C.A. (*Past President, The Institute of Chartered Accountants in England and Wales*); Mr Thomas Lister, M.A., C.A. (*Vice-President, The Institute of Chartered Accountants of Scotland*); Sir Sydney Caine, K.C.M.G., B.SC.(ECON.), LL.B. (*Director, The London School of Economics*); Mr W. Jackson, F.A.C.C.A. (*President, The Association of Certified and Corporate Accountants*); Mr J. W. Hough, O.B.E., F.I.M.T.A., F.S.A.A. (*President, The Institute of Municipal Treasurers and Accountants*); Mr W. E. Parker, C.B.E., F.C.A. (*President, The Chartered Accountant Students' Society of London*).

Mr W. A. Nicol, C.A., F.C.C.S. (*Chairman, The Association of Scottish Chartered Accountants in the Midlands*); and Mr J. G. Girdwood, C.B.E., C.A.

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PROFESSIONAL FEES

President's Comments at Hull Dinner

'As a practising accountant in the provinces I have had painfully to face the fact that our income from fees has not been keeping pace with our rising costs,' declared the President of the Institute, Mr W. L. Barrows, LL.D., F.C.A., at the annual dinner of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants.

'In the post-war years', he said, 'there has been a tremendous change in the social structure of this country and whatever our views about it may be, it has brought about one result from which as practitioners we cannot escape, namely, that it now costs a great deal more to conduct our practices.

'In our efforts to acquire and retain staff of the right calibre we now compete with industry, commerce and the State and we cannot always match the terms offered by our competitors.

'Moreover, there used to be a generally accepted division of responsibilities, whereby it was the duty of an articled clerk's principal to train him and the duty of his parents to maintain him, nowadays the practitioner often assumes the dual responsibility, which is probably a good thing.

'The inevitable result has been that the cost of training newly-qualified men has increased rapidly and the benefit of this goes in many cases to our clients, who have a habit of engaging many of the best men we have trained. In addition, specialization has come to stay and that costs a lot of money.

Impact of Rising Costs

'It is clear from inquiries which I have made that our clients as a whole have not appreciated how the impact of rising costs has hit the practitioner. Most of us dislike asking for more pay but the time has come when it is essential for fees to be raised substantially if the standing and work of the profession are not to deteriorate. At the Institute's annual meeting this year the Council was obliged, for reasons explained in the annual report, to ask members to approve of a substantial increase in the scale of membership subscriptions. In doing so the Council drew attention, *inter alia*, to the fact that since the previous revision of subscriptions eight years ago there had been an increase of about 45 per cent in price levels. Bearing this in mind, together with the fact that the major item of cost for the practising accountant is remuneration of his staff, there can surely be no practical difficulty in demonstrating the position to our clients. I realize that when our clients' profits are declining, which is the case with many today, they do not take kindly to any suggestion for increased fees but we must overcome our natural reluctance to raise the matter.'

In Guildhall

About 200 members and guests attended the dinner which was held in Hull Guildhall on October 31st. Mr D. C. Stuart Downs, F.C.A., President of the Society, was in the chair, and among those present were the Deputy Lord Mayor, Councillor T. Wilcock, J.P. (in the absence of the Lord Mayor who was unable to be present); Mr W. L. Barrows, LL.D., F.C.A., President, The Institute of Chartered Accountants in England and Wales; Judge Norman Harper, of Hull County Court; and Dr Brian W. Downs, D.LITT., F.C.A., Master of Christ's College, Cambridge.

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by Judge Harper. He reviewed the history of public accountancy and mentioned that in his researches he had discovered that the first person to hold himself out to be a public accountant in Western Europe was George Watson, founder of Watson's College in 1645. By 1800 there were twenty-four public accountants practising in London. He added that within a year of the formation of the Institute in 1880 there was a membership of one thousand.

Mr Stuart Downs welcomed the guests and Dr Brian Downs responded.

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New Legislation

All new Acts are noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(6 & 7 Eliz. 2)

Chapter 45: Prevention of Fraud (Investments) Act, 1958

An Act to consolidate the Prevention of Fraud (Investments) Act, 1939, Section 117 of the Companies Act, 1948, as relates to the enactments aforesaid.

Price 1s 6d net. *July 23rd, 1958.*

Chapter 46: Statute Law Revision Act, 1958

An Act to revise the statute law by repealing enactments which have ceased to be in force or have become unnecessary and re-enacting a provision of certain Acts which are otherwise spent.

Price 6d net. *July 23rd, 1958.*

Chapter 47: Agricultural Marketing Act, 1958

An Act to consolidate the Agricultural Marketing Acts, 1931 to 1949 (other than the provisions thereof relating to the sale of eggs), and certain other enactments conferring powers on boards administering schemes under those Acts regulating the marketing of milk, with corrections and improvements made under the Consolidation of Enactments (Procedure) Act, 1949.

Price 3s net. *July 23rd, 1958.*

Chapter 48: Metropolitan Police Act, 1839 (Amendment) Act, 1958

An Act to amend Section 54 of the Metropolitan Police Act, 1839, for the purpose of increasing the maximum penalty for threatening, abusive or insulting words or behaviour in any thoroughfare or public place.

Price 3d net. *July 23rd, 1958.*

Chapter 49: Trading Representations (Disabled Persons) Act, 1958

An Act to control the making of representations by traders with respect to the employment or assistance of blind or other disabled persons in connection with the production, preparation, packing or sale of goods, and for purposes connected therewith.

Price 6d net. *July 23rd, 1958.*

Chapter 50: Local Government (Omnibus Shelters and Queue Barriers) (Scotland) Act, 1958

An Act to make provision as to the erection and maintenance of omnibus shelters and queue barriers by local authorities in Scotland; and for purposes connected therewith.

Price 4d net. *July 23rd, 1958.*

Chapter 51: Public Records Act, 1958

An Act to make new provision with respect to public records and the Public Record Office, and for connected purposes.

Price 1s net. *July 23rd, 1958.*

Chapter 52: Costs of Leases Act, 1958

An Act to make provision for the incidence of the costs of leases.

Price 3d net. *July 23rd, 1958.*

STATUTORY INSTRUMENTS

The Rent Restrictions (Amendment) Rules, 1958 (S.I. 1958 No. 1350 (L.8))

These Rules make amendments to the Rent Restrictions Rules, 1957, which are required for the purposes of proceedings under the Landlord and Tenant (Temporary Provisions) Act, 1958.

Price 3d net. *October 6th, 1958.*

The Treasury (Loans to local authorities) (Interest) (No. 3) Minute, 1958

(S.I. 1958 No. 1412)

This Minute reduces the rates of interest chargeable on loans for more than five years advanced from the Local Loans Fund to local authorities on the security of local rates. The rate of interest on loans for not more than five years remains unchanged.

Price 3d net. *August 23rd, 1958.*

The Treasury (Loans to persons other than local authorities) (Interest) (No. 2) Minute, 1958

(S.I. 1958 No. 1413)

This Minute reduces the rates of interest chargeable on loans advanced from the Local Loans Fund otherwise than on the security of local rates.

Price 3d net. *August 23rd, 1958.*

The Profits Tax Regulations, 1958

(S.I. 1958 No. 1706)

These Regulations provide for notices of decisions under sub-paragraph (5) of paragraph 1 of the Seventh Schedule to the Finance Act, 1958, to be issued to persons affected, and provide also for appeals.

The power to make Regulations, which is provided for in the said sub-paragraph (5), is derived from Parts I and II of the Fifth Schedule to the Finance Act, 1937. That schedule made provision, *inter alia*, for appeals against assessments to profits tax (which, until the enactment of Section 44, Finance Act, 1946, was known as National Defence Contribution) and it also included provisions enabling the Commissioners to make Regulations. Regulations were made in 1937 (S.R. & O. 1937/731) which applied to profits tax, with modifications, certain income tax provisions regarding assessment, collection and appeals.

Price 3d net. *October 22nd, 1958.*

Notes and Notices

PERSONAL

Mr P. G. Heslop, F.C.A., announces that as from November 1st, 1958, he has admitted to partnership Mr J. S. Hiner, A.C.A., and Mr A. S. Bennett, A.C.A., previously members of his staff. The name of the firm, P. G. Heslop & Co, Chartered Accountants, is unaltered and the offices remain at 73 Basinghall Street, London, EC2.

Messrs Geo. T. Clunie & Scott, Chartered Accountants, of 25A St Andrew Square, Edinburgh 2, announce that as from November 10th, 1958, their address will be 7 Melville Crescent, Melville Street, Edinburgh 3, and from that date the name of the firm will be Clunie & Scott. Their temporary telephone numbers will be: Caledonian 2747, 2776, 2833 and 2871. As from February 1st, 1959, the permanent telephone number will be Caledonian 2041 (4 lines).

Messrs Wrigley, Cregan, Todd & Co, Chartered Accountants, of 10 & 12 Copthall Avenue, London, EC2, announce that Mr A. D. C. Smith, C.A., has retired from the partnership as from September 30th, 1958, owing to indifferent health in recent years; he will, however, be available for consultation. The partnership will continue to be carried on by Mr G. A. Todd, C.A., and Mr V. T. Edmonds, F.C.A., under the same name as heretofore.

PROFESSIONAL NOTES

Mr W. Y. A. Wright, F.C.A., has been appointed a director of Rubber Improvement Ltd.

Mr R. S. Mays-Smith, M.B.E., M.A., F.C.A., has been elected chairman of Maconochie Foods Ltd.

Sir Richard Yeabsley, C.B.E., F.C.A., has been elected chairman of The Ruberoid Co Ltd.

Sir Douglas Tremayne Waring, C.B.E., A.C.A., has been appointed a director of Ampat Tin Dredging Ltd.

Mr E. P. Smith, M.B.E., T.D., A.C.A., has been appointed a director of Wrights' Ropes Ltd.

Mr E. A. Grace, A.C.A., has been appointed assistant general manager of Coras Iompair Eireann.

Mr Forbes D. Masterton, C.A., secretary of the Northern Bridge & Engineering Co Ltd, has been appointed a director of the company.

Mr J. N. Toothill, C.B.E., F.C.W.A., COMP.I.E.E., COMP.BRIT.I.R.E., F.R.S.E., has been appointed a director of Ferranti Ltd.

Mr V. W. S. Hunter, B.COM.(LEEDS), A.C.A., supervisory auditor in South America (and formerly in Europe and North Africa) for Standard Oil Co (New Jersey) retired on October 1st, 1958.

A presentation was made recently to Mr Stewart M. Galloway, C.A., chairman of John C. McKellar Ltd, on his completion of fifty years' service with the company as secretary and later as director.

DOUBLE TAXATION: UNITED STATES OF AMERICA

The Agreement between the United Kingdom and the United States of America which makes certain alterations to the provisions of the existing Double Taxation Agreement between those countries so far as it relates to copyright and patent royalties, etc., was ratified on October 15th, 1958, and has now been published as a Schedule to an Order in Council (S.I. 1958 No. 1751).

CENSUS OF PRODUCTION FOR 1958

As already announced,[1] a detailed Census of Production is to be taken in 1959 in respect of the year 1958. An Order which operates from December 31st, 1958, prescribing the matters about which returns may be required has now been made by the Board of Trade.[2] Undertakings producing coal, gas, electricity, oil shale, crude or refined petroleum or shale oil products are exempted from making census of production returns to the extent that they supply the necessary information to the Minister of Power (or in certain cases to the Secretary of State for Scotland).

The 1958 census will be the first detailed census to incorporate the changes recommended by the Committee on the Censuses of Production and Distribution under the chairmanship of Sir Reginald Verdon Smith. These changes include the following:

(a) The 'exemption' limit has been raised so that full particulars will be required only from firms employing twenty-five or more persons instead of from those employing eleven or more on productive work, as previously.

(b) The information asked for will correspond more closely than previously to what is covered by firms' ordinary records. For example, firms will no longer be asked to exclude from their census returns particulars of merchanted goods, or of ancillary services such as the operation of canteens.

(c) Combined returns may be made for two or more establishments of the same firm provided that the establishments are all in the same census industry, and all in the same country (i.e. England, Scotland or Wales).

The changes will mean that over 30,000 firms will be relieved from giving most of the information which was required at the last detailed census (for 1954); the changes will also, it is hoped, enable those from whom detailed returns are still required to complete them more easily and return them more quickly.

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[1] See *The Accountant*, September 14th, 1957.

[2] Census of Production (1959) (Returns and Exempted Persons) Order, 1958. (S.I. 1958 No. 1731). H.M.S.O. Price 3*d*, by post 5*d*.

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CONSOLIDATION OF INSURANCE COMPANIES LAW

The Insurance Companies Act, 1958,[1] which consolidates the Assurance Companies Acts, 1909 to 1946, came into operation on November 1st. Under the old Acts the forms in which insurance companies were required to prepare accounts for deposit with the Board of Trade were incorporated in schedules to the Acts. New regulations[2] have now been made prescribing the forms of account in the same form as previously, apart from necessary amendments consequent upon the passing of the new Act.

LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

The luncheon meeting of the London and District Society of Chartered Accountants originally announced for January 7th, 1959, is now to be held on the next day, Thursday, January 8th, 1959. Members are reminded that their diary slips should be amended to this effect.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday: Whole-day course (limited number). Lectures on 'Management accounting' and 'The use and misuse of statistics'. Lecture, film and demonstration of punched-card accounting.

Visit to the Royal Mint (limited number).

5.30 p.m., at Caxton Hall: Lecture on 'Personal investment policy', by Mr B. J. Davis, F.C.A. Chairman: Mr R. P. Matthews, J.P., B.COM., F.C.A., hon. treasurer of the Students' Society.

Tuesday, 5.30 p.m., at Incorporated Accountants' Hall: Final lecture and discussion on mechanized accounting course, by Mr Dudley W. Hooper, M.A., A.C.A., chief organizing accountant, National Coal Board.

5.30 p.m., at the Institute: Practice debate on 'There is more harm than good in the public school system'.

Thursday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lecture on 'Company law', by Mr P. W. Medd, Barrister-at-Law.

7.30 p.m., at Westcliff-on-Sea: Lecture on 'Income tax', by an Inspector of Taxes.

Friday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lectures on (1) 'Income tax', by Mr J. Kennedy Melling, A.C.A., A.T.I.I., F.R.ECON.S.; and (2) 'The law of Banking', by Mr P. W. Medd, Barrister-at-Law.

7 p.m., at Chelmsford: Lecture on 'The duties and formalities of a liquidator in creditors' voluntary and compulsory liquidations', by Mr K. R. Cork, F.C.A.

Saturday, 10 a.m., at Bedford: Lectures on punched-card accounting and computers, by Mr A. J. Thornley, I.B.M., United Kingdom Ltd.

SOUTH EASTERN SOCIETY OF CHARTERED ACCOUNTANTS

Ninth Students' Residential Course

The ninth students' residential course arranged by the South Eastern Society of Chartered Accountants was held at the Royal Pavilion, Brighton, from October 6th to 10th. Of the 163 students who attended the course, 150 were from students' societies within the Society's area, which includes Kent, Sussex, Hampshire, and part of Wiltshire and Dorset, and thirteen from other areas. The Society was particularly pleased to welcome to the course many former students of The Society of Incorporated Accountants, and also a number of students from the Channel Isles.

The course was introduced by Mr A. G. J. Horton-Stephens, F.C.A., President of the Society, supported by Mr C. R. P. Goodwin, F.C.A., President of the Sussex Chartered Accountant Students' Society.

On Thursday evening, October 9th, a dinner was held at the Royal Pavilion, at which Mr Horton-Stephens presided. Mr D. A. Clarke, LL.B., F.C.A., a member of the Council of the Institute, was the principal speaker. The toast to 'The Institute' was proposed by Mr B. J. Dalling, a member of the Sussex Chartered Accountant Students' Society. Mr W. R. McBrien, F.C.A., Vice-Chairman of the Sussex Chartered Accountant Students' Society, proposed the toast to 'The Students' Societies', to which Mr C. J. H. Everett, chairman of the Portsmouth and District Chartered Accountants' Students' Society responded.

It is felt by the organizers that considerably more students will wish to attend future courses to be held if the educational and social success of this one can be maintained, and it is hoped that their attendance will again be facilitated as much as possible by the very willing co-operation given by their principals this year.

PRODUCTION CONTROL BY COMPUTER

An attempt to achieve integrated electronic computer control of production planning processes and plant loading as a means to providing necessary information required for controlling production is now in progress in one of the British Tabulating Machine Company's main Letchworth factories. By applying a Hec Computer to the solution of its own production management problems the company has demonstrated that normal stock parts can be reduced by about half and the effect of changes in demand, materials or labour can be measured at once.

The system, with its important implications for manufacturing industry, was not established rapidly and the application is still in its infancy. It is the result of two years' careful investigation and planning by a specially selected team of production engineers and computer experts. However, even in this first phase the company believes that ample evidence of the efficiency of this new electronic data processing system is forthcoming.

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[1] H.M.S.O., *1s 9d* net; *2s 1d* by post.

[2] Insurance Companies (Forms) Regulations, 1958 (S.I. 1958 No. 1765). H.M.S.O., *11d*; *1s 1d* by post.

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Auditing Company Stocks

THE extent to which the auditor should check the accuracy of the value placed upon stock and work in progress in the books and accounts of the company he is examining has never been accurately defined. It is an operation which, more than any other in the course of his scrutiny, calls for scrupulous judgment. No textbook nor records of case law can help much in setting absolute standards of procedure because of the number of variables involved. The opinions of individual auditors differ, the ratio of stocks to other assets and liabilities in the balance sheet differs as between companies and, even in the same company with the same auditor, circumstances which affect stocks may differ appreciably from year to year. Stock checking and valuation then, both by the company's officials and by its auditor, must be an exercise in which the scope and scale of operations is tailored afresh each year to suit the particular circumstances.

In an attempt not to lay down precepts but to ascertain current practices with regard to the audit of stock-in-trade, the Australian Chartered Accountants' Research and Service Foundation recently conducted an inquiry in which 244 firms, representing the views of 630 practising members of The Institute of Chartered Accountants in Australia, co-operated.[1] Their task was to complete a questionnaire, confined in scope to the audits of limited companies, public and private. It was presupposed by the Foundation in framing the questions that each company kept proper and reliable internal records and that stock and financial controls were adequate; had soundly planned stocktaking procedures which were fully observed; and that the circumstances as regards size, location, the type of business conducted and the nature of the stock-in-trade carried did not prevent the adoption of desirable procedures.

The answers received to the questions posed were in no way unanimous and, indeed, on one or two issues where one would have thought that a fair measure of orthodoxy had by now been achieved, opinion seemed to be very evenly divided. Asked, for example, if they mentioned in their audit report that they had accepted the stock on the basis of the certificate received from management, 113 firms said 'Yes' and 126 said 'No'. Five expressed no opinion. Again, fifty-eight firms agreed to the proposition that the auditor is justified in not qualifying his report if he merely accepts the certificate of directors or other responsible officers on the value of stock-in-trade without carrying out other procedures? The committee of the Foundation rightly expresses surprise at getting so many affirmative answers to the first postulate now that it is generally recognized that an auditor gains no protection from making such a statement which, in no way, can be interpreted as a qualification. If the auditor means to qualify his report he must do so in explicit terms. The committee appositely quotes the dictum from the *London and General Bank* case that 'information and the means of information are by no means equivalent terms'. Under any circumstances, the principal safeguard an auditor has in any subsequent allegation of negligence is to be able to demonstrate that his expressed opinion was based on accepted standards of skill and competence, reasonably applied by him.

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[1] Bulletin 2: *The Audit of Stock-in-trade for Limited Liability Companies.* (Australian Chartered Accountants' Research and Service Foundation, 6 Wynyard Street, Sydney. (See also brief reference under 'Australasian Commentary', *The Accountant,* October 25th issue.

Another acute point of controversy brought out by the questions and answers centred round the physical examination of the client's stock. While the general opinion was that the auditor was primarily concerned with the accounting records, the view was held by the majority that he also had an obligation to verify that the stock did, in fact, exist. Only seventy-seven firms thought that the auditor's check should not include physical tests, but although 156 agreed in principle to actual inspection (the remaining eleven expressed no opinion), only 138, in answer to a later question, admitted to making a practice of imposing such a check.

The questions on how best a physical test should be carried out revealed a further divergence of opinion. Only forty-three firms were in favour of the auditor participating in stocktaking but 156 thought that he should be present as an observer, for at least part of the time, to satisfy himself that the client's stocktaking procedures were adequate. Here again precept seemed ahead of practice, because in reply to a later question, only 135 stated that they did attend at stocktakings for that purpose. Other forms of physical testing heavily supported were spot checks at stocktaking time and periodic visits to count, measure or inspect items either at random or by selection at intervals throughout the year. It was generally accepted that limited tests only, sufficient to justify the formation of an opinion, were necessary but a number of circumstances when departures from this practice would be justified were given, among them the instance where the stock was palpably incorrect and a more extensive examination was warranted.

More than 200 firms attested that they thoroughly examined the client's system of stock recording to see that it was adequate and was functioning correctly. An almost equal number tested the basic stock records with the stock sheets, although rather fewer examined the basic records themselves to see that the methods of valuation were both sound and consistent and that the arithmetic was accurate. The work on the stock sheets followed, as might be expected a fairly regular pattern. The additions were done by 233 firms, the high-water mark of unanimity achieved by the questionnaire, the next being the retention on the working papers by 230 firms of the stock certificate (although only 225 said that they obtained one!) Over 200 firms test-checked the prices or values applied to units of stock and extensions but, at the other end of the scale, only 119 made a comparison of the relevant entries with the client's delivery records.

In all, fifteen questions – some of them divided into as many as eight parts – were asked. In addition to those referred to above, firms were also asked – if they considered that the basis [illegible] valuation required for income tax purposes was acceptable for use in the balance sheet (171 said 'Yes'); how work in progress and, in particular, uncompleted contracts should be valued; whether undisclosed reserves in the value of stock-in-trade were permissible; how the value of stocks on consignment should be determined; what were the best methods of dealing with defective, slow-moving and obsolete items; and was it competent for an auditor to limit his responsibility for stock-in-trade by arrangement with the client (to which seventy-nine, with varying reservations, replied 'Yes').

As might have been expected, the pattern of audit policy revealed by the inquiry was so diffuse as to be scarcely recognizable. If, however, a moral may be derived from this very worth-while exercise, it is surely that a lot of hard thinking has still to be done, not only by the Australians who, at any rate, had the courage to disclose [illegible] methods, but by practising accountants in every other part of the world whose approach to the important question of stock verification, if the truth were known, may well be even less realistic.

Comparative Taxation

I – FRANCE

by WALTER HOPE, A.I.B., A.T.I.I.
Lecturer in Taxation, Birmingham College of Commerce

ECONOMISTS tell us that taxation should be simple, convenient, equitable, elastic, economical, certain, and productive. How the United Kingdom's system measures up to these canons is more easily judged when compared with systems adopted in other countries. We can begin by comparing it with that in force 'just across the Channel'.

Taxation in the United Kingdom

As briefly as possible it may be said that taxation in the United Kingdom consists of:

(*a*) A basic *income tax* payable at 42½ per cent on all income;

(*b*) *Surtax* – a supplement on the annual excess income over £2,000 of 10–50 per cent, payable by individuals; or *profits tax* at 10 per cent, payable by companies;

(*c*) Capital taxes, represented by *estate duty* on property passing on death (1 per cent on £3,000 rising to 80 per cent on £1,000,000) and *stamp duty*, the heaviest rates of which are on transfer of shares (2 per cent) and property (½ per cent) and issue of share capital (½ per cent);

(*d*) *Excise duty* from licencing motor-vehicles and drivers, wireless and television sets, and from taxing entertainments, betting, beer and spirits, sugar, tobacco and matches and petrol;

(*e*) *Purchase tax* on home market sales of most other goods, except food and fuel, at rates from 5 per cent to 60 per cent;

(*f*) *National Insurance contributions* borne in part by employers on a *per capita* basis in respect of each employee, the individual paying the remainder; and

(*g*) Local taxes represented by *rates* on the occupiers of all property on the basis of the annual rental value, and the licencing of dogs, game, guns, hawkers, money-lenders, pawnbrokers, and refreshment houses.

The Taxes of France

The taxes of France cannot be so briefly stated. For one thing, there is no parallel to the British concept of a basic income tax in principle levied equally at a standard rate on all classes of income of both individuals and companies. For another, there is an apparent difference in the technique of increasing the volume of taxation: whereas in the United Kingdom the more common practice is to operate through changes in the rates of tax or the allowances given, in France the custom is to leave existing taxes unaltered and to introduce additional forms of tax.

Individuals pay *impôt sur le revenu des personnes physiques*, which consists of *taxe proportionelle* at 19·8 per cent on seven classes of income only, and *surtaxe progressive* on all income from 10 per cent on 220,000 francs up to 70 per cent.

Companies pay *impôt sur les sociétés* on their total profits at 45·6 per cent.

Companies, partnerships, and sole traders are liable under *prélèvement temporaire sur les excédents de benefices* for 20 per cent on excess profits, which is ascertained by deducting from the total profit 6 per cent of the capital employed *or* the average of the two largest assessments out of 1953, 1954, and 1955, whichever is greater.

Capital taxes consist of a *conveyancing tax* up to 20 per cent on sales of land, buildings, and goodwill; 1·4 per cent on capital subscribed; 6 per cent on capitalization of reserves; and 2 per cent on reserves created out of taxable profits.

There is nothing in this country analogous to two major features of the French system. One, called *taxe sur la valeur ajoutée*, is payable on transfer of goods on the value added by the vendor. The normal rate is 19½ per cent, but this is reduced or supplemented for certain products. The other, *taxe sur les prestations de service*, is at that rate of 8½ per cent on the total receipts for services of a business or commercial nature.

Employers are liable for taxes which significantly add to labour costs. These consist of contributions on the wage of each employee up to 44,000 francs a month for social security (10 per cent), family allowances (16¾ per cent) and industrial injury (3 per cent); on wages between

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Subsequent articles in this series will deal with the taxation systems of Italy, West Germany, the United States and Scandinavia.

44,000 francs and 132,000 francs for superannuation at varying rates; and on total wages and benefits given in kind for payroll tax (5 per cent), for apprenticeship tax (0·4 per cent), for paid holidays (7½ per cent), and for construction of dwellings (1 per cent). In this way the social services are financed by separate taxes to a greater degree than in England.

As in the case of rates in Britain, taxes paid in the communes are allowable expenses against profits. *Taxe locale* is on sales by a retailer (and by a wholesaler as an alternative to *taxe sur la valeur ajoutée*) at 2¼–2¾ per cent, and, in one or two communes, on receipts for services at 8½ per cent. *Patente* and *impôt foncier* are paid by businesses on the annual value of buildings and plant (and on the number of employees in the case of *patente*), the rates depending on the commune and the type of business concerned.

The first thing which strikes an Englishman about the tax position of the ordinary French individual is that he is not liable to the equivalent on income tax (*taxe proportionelle*) on his salary or wages: it is exempt in his hands because his employer bears payroll tax on it. The seven classes of income subject to *taxe proportionelle* are profits from (1) agriculture; (2) industry and commerce; (3) non-commercial occupations; (4) land and buildings; (5) movable capital; (6) directorships in private companies and partnerships; and (7) remuneration not subject to payroll tax. The income is not aggregated; separate assessments are made. A loss in one section may be carried forward and set against future profits in that section, but not against a profit in another section (like Section 341 relief in the United Kingdom).

Allowances and Reliefs

Salaries and wages are liable to *surtaxe progressive*, which is payable by residents on all income and by non-resident French nationals on income arising in France. Deductions are allowed as in Britain for expenses, superannuation, and social service contributions. Of the net wage, 85 per cent is added to other income. Relief is given for life assurance payments and also for investments in prescribed savings funds, but personal and dependent allowances are granted in a different manner. The taxpayer is given a number of 'parts' – one for himself, one for his wife, and half a 'part' for each child. His total income is divided by this number and the tax attributable to the quotient is ascertained from the progressive scale. This sum is multiplied by the number of parts and 110 per cent of the result is the tax payable.

A partnership may elect to be treated not as several individuals but as a company and be assessed to *impôt sur les sociétés* instead of to *impôt sur le revenu des personnes physiques*. Conversely, a private company (*société en nom collectif*) may elect to be treated as individuals. When a partnership or a company opts to be treated as individuals, the whole income is deemed to have been distributed and is taxed on the members, as in this country when a surtax direction is made in respect of a company by the Special Commissioners.

These options make no difference to the liability to tax on excess profits, which is payable by all businesses. *Prélèvement temporaire sur les excédents de benefices* is similar to the excess profits tax previously levied in the United Kingdom, which was regarded as unsound in principle, and its title in France indicates its exceptional nature.

Neither do distributions effect a compan[illegible] liability to tax. The absence of any non-distribution relief like that given in Britain for profits tax purposes until last year suggests the lack of any intentional fiscal influence on the dividend policy of companies, but where new captial has been subscribed in cash under the plan for modernization and re-equipment, or under a programme for regional development, distributions up to 5 per cent on this capital may be deducted from the assessment.

When a company makes a distribution, it is responsible, under a system of deduction at source, for collecting and paying to the Revenue within twenty days, taxes due on the distribution by the recipients. Dividends paid out of taxed profits are taxed again by the tax appropriate to the shareholder – the full *taxe proportionelle* is payable in the case of an individual, but credit is given against *impôt sur les sociétés* in the case of a company. In the system of deduction at source which operates on dividends in the United Kingdom, there is no double taxation as regards income tax, although surtax may be payable if the recipient's total income is large enough; in France there is this trend to double taxation.

There is relief against double taxation where foreign tax is paid in a country with which France has a reciprocal treaty, but the number is much smaller than those with which the United Kingdom has agreements. Unilateral relief is not available, foreign tax paid in non-treaty countries being treated simply as a charge against income.

Profits of a company's overseas branches are not subjected to *impôt sur les sociétés*, although tax due by recipients is levied on dividends paid out of these profits. The French company is in a position more of the privileged class of overseas trading corporations, created in the United Kingdom system last year, than of other United Kingdom companies.

The Fiscal Year

We in Britain must accept our oddity in retaining a fiscal year ending on April 5th, after the change in the calendar year in 1752. France, like most continental countries, has a fiscal year ending on December 31st, so the current one is 1958 – not 1957–58 or 1958–59.

A company's assessment is based on the accounting year ending in the fiscal year, not in the preceding year of assessment, and the company must make a return of its profit and pay the appropriate tax (including tax on excess profits) within three months of the end of the accounting year.

In Britain, certain gains are regarded as capital surpluses and thus sacrosanct against taxation. In France, taxable income is defined as the difference between the value of the net assets at the beginning of the accounting year and those at the end, after allowing for capital introduced or withdrawn during the period. Obviously this includes capital gains as well as trading profit, although a capital gain is not taxable if reinvested in the business within three years, and relief is given where the capital gains arise on cessation or transfer of a business.

Income tax, profits tax, or surtax paid in Britain is not allowed as an expense in computing the liability to either of the others, although rates are so treated. Tax on excess profits and *taxe proportionelle* are allowable expenses for *surtaxe* in France, but excess profits tax is not allowed against *taxe proportionelle* or *impôt sur les sociétés*.

Here provisions for depreciation are disallowed and specific capital allowances are given on a schedule of agreed rates for industrial buildings (2 per cent), plant and machinery (6¼–31¼ per cent), patents (6 per cent), and scientific research expenditure (60 per cent in first year, 10 per cent in each of the next four years). In France, depreciation may be claimed on all assets, any value of which is necessarily written off over time. The rate depends on individual negotiation, but common allowances are factories 5 per cent, offices 3 per cent, plant 7–15 per cent, and motor vehicles 20 per cent. Since for plant the 'reducing-balance' method of depreciation is normal in this country and the 'straight line' method the rule in France, the United Kingdom rates should be reduced to 40 per cent for comparison with the French. On the other hand, we must consider that there is no investment allowance, and that initial allowance is not general; also that there is no equivalent of the British balancing allowance, while any excess of the sale price over the written-down value is subject to a 'balancing charge' in its entirety and not limited to the capital allowances given. Initial allowance (10 per cent) is given only for a specific range of assets necessary to the modernization of factories, while in the case of new equipment to last over five years for manufacturing and transport concerns, only an additional full year's allowance is added to the normal allowance for the first year.

The granting of a full annual allowance for a fiscal year under the British system depends only on the business being carried on throughout the basis accounting year, even if the asset was not bought until the last day. The French system is more in accord with accounting practice – the allowance is given from the time the asset was acquired, a proportion for part of a year.

Allowances are not claimable – and may not be carried forward – unless the appropriate provision has been made in the accounts. Allowances not claimable because a loss has been incurred may be carried forward. Losses may be carried forward for five years only: they may not be carried back.

The value of the asset on which the allowance is given is not to include any capital gain reinvested therein, which has in this way escaped tax on profits. Nor must it include any *taxe sur la valeur ajoutée*, the amount of which having been paid is treated as being on account of sales made by the owner.

Steel-making and mining concerns are given an alternative to the usual allowances. They may calculate depreciation at a percentage of turn-over (2½–15 per cent), varying with the type of concern, on one or all of their assets.

In times of rising prices, each year the real proportion of the cost of replacement which should be provided is more than the percentage of historic cost allowed, and thus the net profit on which tax is payable is more than the true profit. Out of taxed profits must be paid the excess of the replacement cost over the total allowances received during the life of the asset. This is so in Britain; in France there is claimable relief. In every fiscal period, the Revenue authority gives a new set of indices – one index for each year past for several decades – calculated to convert past values into current terms. The original cost of the asset and each annual allowance may be multiplied by the index appropriate to the particular year, and a new written-down value arrived at – compensated for the fall in the value of money. Provided the real value of the asset at the time is not less, the current annual allowance is given on the revised written-down value.

Stock Valuation

There are methods of stock valuation designed to minimize the impact of falls in the value of money, such as 'last in, first out'. The Board of Inland Revenue, however, recognizes only valuations on the 'first in, first out' method at cost or market price, whichever is the lower. Again the French Ministry of Finance is more liberal. It is accepted that the keeping on hand of a certain amount of stock is vital to the running of any business and that each increase in the paper value of this would distend the taxable profit. This 'indispensable' amount for each concern is fixed every four years at its average stock for several specified past fiscal periods. Where possible this is done in quantity terms, so that in subsequent years each unit of stock can be given its value of the base years. If the stock cannot be expressed in quantities, the values are converted by applying to them authorized index numbers, in the same way as to fixed assets. The cost of the 'indispensable' stock is reduced by being written-down in the balance sheet or by the creation of a tax-free reserve; any excess stock is valued in the same way as in Britain. A fall in prices would mean that the excess in reserve would be added back to taxable profits. A similar adjustment results from a cutting-down of the relief, as in 1956 when the allowance was restricted to three-quarters for *impôt sur les sociétés* or *taxe proportionelle* on businesses with a turnover exceeding 45,000,000 francs.

Thus, on the one hand, the bases for tax under the French system are wider, while on the other 'creeping inflation' is recognized by some provisions against increases in effective rates of tax. Whether or not the French system is to be preferred to the United Kingdom's will depend on one's individual circumstances. In any case, impressions only are possible from a brief survey: conclusions require detailed study, which is worth while whether you regard France as a haven for your competitors or a hell for your associates.

North American Commentary – XCIV

Current Accounting Opinions in the United States and Canada

by KENNETH F. BYRD, M.A., B.Sc.(Econ.), A.C.A., C.A.(Canada),
Professor of Accounting, McGill University, Montreal

The Journal of Accountancy,
New York, July

Certified Public Accountants in and out of Public Practice

WHILE ten years ago 79 per cent of all the American Institute's members were in public practice, today the percentage has dropped to 72. The editorial says that last April the Institute's Council gave explicit recognition to this trend and that a special committee has been appointed to consider ways and means of adapting the Institute's form of organization to meet the needs of all its members, both in and out of public practice. Among the subjects to be studied will be the appointment of non-practising members to Institute committees, and provision for the needs of C.P.A.s with special interests such as accounting education, industrial accounting and government accounting.

Profit-sharing in Accountancy Firms

In 'Practitioners Forum', Mr Leonard E. Richardson says that many progressive accountancy firms have found in profit-sharing or bonus plans the answer to the problem of attracting and retaining competent staff personnel. He gives one example in which the employee gets 66⅔ per cent of the profit on work introduced by him, for a period of three years, and 50 per cent of the profit on other work done by him, after deduction, in each case, of direct time cost, including that of partners, and a factor for overhead.

In another case 25 per cent of the firm's annual profit, after partners' salaries, is divided among staff members and paid in twelve equal monthly instalments during the following year. Individuals' shares are here based 75 per cent on annual salary and 25 per cent on personal accomplishment, as determined by the partners. Mr Richardson concludes that incentive plans have generally produced increased loyalty and better employee relations.

The Accounting Review (American Accounting Association, quarterly),
Menasha, Wisconsin, July

Industrial Training for Accountancy Career

Mr R. J. Canning, consultant to the General Electric Company, tells how that company provides for the financial training of selected employees. First and most important, he says, is on-the-job training and, during the three-year programme, members are rotated to the various areas of financial work. A potential manager (finance) is thus introduced to the early stages of the kinds of work of which he will eventually be the head, and to supervisory positions or special assignments of increasing importance. This is supplemented by an evening classwork programme of seminar discussion groups limited to from six to eight trainees, meeting for two hours on one night each week for fourteen weeks. The company offers five fourteen-week semesters of instruction in General Electric accounting and financial matters.

Another means of giving trainees a knowledge of the company's many facets, Mr Canning continues, is in its auditing department of over one hundred men. Here, through professional company-wide audits, their experience and initiative are developed.

Mr Canning stresses particularly the manner in which, with today's continuing growth of automation, management is developing rapidly as a science and a profession. He warns that entirely new measurements of business activities, new procedures, and new controls and techniques will be required under new concepts of distribution.

A Plea for an Accounting Court

In a challenging address delivered at the annual meeting of the American Accounting Association, Mr Leonard Spacek, C.P.A., charges that the bulletins issued by accountancy organizations have dealt too much with techniques and not enough with principles.

The profession's greatest deficiencies exist, in Mr Spacek's opinion, in the annual reports to stockholders which should be made intelligible to the public, to labour and to the consumer. In view of today's mass ownership of corporate securities, he says, the accountancy profession should prepare reports that everyone can use without adjustment for alternative accounting methods which at present fall within the loose framework of 'accepted accounting principles'. The tendency at present, under strong pressure from stockholders, is to use those methods which will maximize reported profits, taking the short-term view and ignoring the long-term. Mr Spacek believes that 'we are developing alternative procedures which turn on the very point of postponing the day of reckoning'.

First we err, says Mr Spacek, in recognizing the theory of postponement, and secondly in adopting procedures which approve equally accounting principles, whether they do or do not provide for postponement of the day of reckoning. Alternative accounting principles, he says, do not encourage improvement in accepted principles, they merely aid in eliminating the preferable principles in favour of those less desirable. The plain fact is that at present a clean certificate may accompany statements differing widely in reported profits, depending on the principle of accounting chosen. Should not the certifying accountant be required to say whether he concurs in the principles adopted by the company?

Mr Spacek believes the best way to eliminate alternative accounting principles, to be the establishment of a 'court of accounting principles'. Such a court would, in his opinion, make good the profession's failure to supply the schools of higher learning and the practitioners with materials for the teaching of accounting in relation to the purposes and uses of accounting reports, arriving at a figure for 'net income' that would meet the needs of stockholders, consumers, and labour, as well as management. Each principle adopted by the court would clearly state the economic factors on which it was based and, as our society and economic concepts changed, former reasoning could be challenged and changed by the court on proper evidence.

Mr Spacek would have the American Institute of Certified Public Accountants change its charter to set up such a court, or professional tribunal, of accounting principles. He would also have it amend its charter to define the criteria of accounting principles. He recommends that an accounting principle be defined as one which can be specifically but separately demonstrated as resulting in a fair reporting of income for management, for stockholders, for labour and for consumers. The accounting for economics of business to each segment of society is, says Mr Spacek, the responsibility of accountants and, whether we like it or not, this is what we must accept.

THE FUTURE ROLE OF THE ACCOUNTANT IN INDUSTRY – II

by W. W. FEA, B.A., A.C.A.

Is there Need for Better Understanding between Accountants and Management?

THE suggestion that research into management accounting might possibly be undertaken on a co-operative basis leads to my next question. Is there need for better understanding by accountant and management of each other's problems? While a little more knowledge of industry and industry's problems is desirable at the formative, articled clerk stage, that is of course only a beginning. Indeed there is no ending: the accountant in industry like his brother in practice is always learning how to be a better accountant. But besides improving his accounting he must learn management's problems. The point was put admirably by M. A. Payrau in his paper to the Sixth International Congress on Accounting held in this hall in 1952 when he said:

> 'The accountant's problems are those of management dressed in figures; knowledge of general problems is the basis of his function.'

This is advanced thinking and may be anathema to some but its truth is proved by the large and growing number of accountants who have moved right into the management field and become managing directors and general managers. They would not be successfully holding these positions unless they had first acquired an extensive knowledge of general problems during the apprenticeship as accountants in the industrial field.

57. I have yet to meet an accountant who has entered industry from a practitioner's office who did not freely admit, sometimes with astonishment, how much he had had to learn about industry's problems and how industry is really run. This reaction is only natural and any accountant trained solely in industry who went into a practitioner's office would no doubt be equally at sea at first. The lack of understanding is not the fault of the accountant alone, management itself is even more to blame. Management seldom understand the accountant's problems and is often inarticulate in expressing its own point of view and in formulating its own problems in the precise language to which the accountant is accustomed. The accountant often has to guess what the manager really wants and may succeed in guessing only what he thinks the manager needs.

58. This can lead to frustration on both sides and mutual lack of confidence. The solution can only lie in joint effort by management and accountant.

59. The Institute has done much in recent years to publish guidance on costing, budgeting, measurement of efficiency and so on but it must be remembered that all these manifestations of management accounting are services to management. Much has been done to explain what service can be provided but there has been little response by management. No doubt this is partly due to the difficulty of management finding a means of expressing its collective opinion as effectively as a body such as the Institute. Moreover there is, unfortunately, still much room in this country for improvement in the standards of management and this affects the standard of accounting. Mr Clayton made the point when he told the 1953 Summer Course: 'It is not sufficiently understood that bad accounting is often the result of bad management. A rational accounting system is an integral part of rational management.'

60. Now Mr T. G. Rose has come forward in the Elbourne Memorial Lecture delivered by him in December 1957 to the British Institute of Management with the suggestion that the national bodies representing management, such as the B.I.M., should co-operate with the senior accounting bodies to develop a syllabus for training in general management. This may seem somewhat startling but Mr Rose explains his view of the objective of such a syllabus – 'it would lay down what a manager should ask for and what an accountant should provide. . . '.

61. With this objective I have some sympathy. I believe we do need a second opinion on the validity of our management accounting techniques. Do we know better than the customer? Accountants are entitled to consider themselves the authority for the best practice in published accounts. But management accounting is concerned with control over people and this requires experience and judgement in handling people and not only in handling facts and figures. Moreover the evolution of electronic computers requires, as I have already suggested, a completely new approach to the problems of what information management really needs to run the business and how those requirements can best be met. Although it may be argued this is a matter only for the larger firms that can afford a computer at today's prices, I believe that the lead towards better management and better management accounting must come from these firms. When established and proved by experience the new ideas and the new techniques will inevitably spread, possibly with rapidity, to the medium-sized and eventually some of the smaller firms.

62. I hope, therefore, that Mr Rose's suggestions for co-operation between official management and

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The concluding part of a paper presented at the autumn meeting of The Institute of Chartered Accountants in England and Wales, in London, on October 2nd, 1958.

accounting bodies will receive full consideration in the proper quarters.

63. I have suggested to you, most inadequately I fear, some of the problems that accountants in industry must overcome in their perpetual endeavour to improve the quality of their service to industry. But I felt bound to express the view at an earlier stage that lack of experience at first hand of industrial accounting and of industry itself is a serious drawback to members of our Institute who make their careers in industry. My last question is, therefore, Can the training of articled clerks who later enter industry be improved?

Training of Articled Clerks who intend to Enter Industry

64. The problems of training articled clerks are the subject of review in both the English and Scottish Institutes. In March 1956 the Scottish Institute published the report of its Special Committee on the 'Examination and training of apprentices'. In July 1957 Mr W. E. Parker, F.C.A., delivered his classic address on 'Training for the profession' to the Oxford Summer Course of the English Institute. That Institute has now announced the appointment of a special committee, under the chairmanship of Mr Parker, to consider and make recommendations on the most appropriate forms of education and training for entrants to the profession.

65. It is, therefore, with diffidence that an accountant in industry, long removed both from his own articled days and from direct contact with articled clerks, questions the present system. But Mr Parker himself is evidently not too happy about the adequacy of the training of those articled clerks who eventually enter industry and he makes certain tentative suggestions for improvement.

66. Before exploring these and certain other views I want to make two preliminary points:

(i) How many articled clerks go into industry within, say, seven years of qualifying? I have abstracted from the 1957 *List of Members* the present occupation of all those who became associates in 1950. The table is as follows:

	Number	%
In practice or employed by practitioners	424	55·7
In industry	257	33·8
Unclassifiable	80	10·5
	761	100·0

This shows that at least one in three of all those who qualified in 1950 went into industry during the next seven years.

As an interesting check on this figure I recall that at a lecture Sir Harold Howitt gave in 1950 to the London Students' Society he asked all those students present who intended to go into commerce or industry to put up their hands. The count was 90 out of a total of 275, also 1 in 3. It would be pleasant to conclude that my previous figure reflected the success of this one-third minority in achieving their hearts' desire, but although statistics can prove anything I am afraid the conclusion is unwarranted. At any rate we are given a workable basis that one articled clerk in three intends to go into industry and at least one newly-qualified member in three succeeds in doing so.

(ii) My second point is fundamental. The Council has prescribed, under bye-law 51, that every articles shall include certain covenants by and for the articled clerk and covenants by the principal. The important covenant by the principal is 'That to the best of his ability and power he will either personally or through his partner or partners or his senior assistants engage the articled clerk on such work and afford him such opportunities and experience as are necessary for the purpose of enabling the articled clerk to acquire the art and knowledge of a chartered accountant in practice as a public accountant'. It is the last words of this covenant to which I draw your particular attention, viz. '. . . to acquire the art and knowledge of a chartered accountant in practice as a public accountant'. There, I think, is the heart of the problem. One-third of the articled clerks want to go into industry and yet, for three or five years as the case may be, his principal is bound to afford him the 'opportunities and experience necessary' to become a practising accountant. There is no reference at all to the 'opportunities and experience necessary' to become an accountant in industry. Is this the reason why only 125 articled clerks in the seven years 1950 to 1957 have had actual experience in industry during their articles, under bye-law 58 (*c*)?

67. There is the background to the problem. Let us now explore some proposals that might help towards finding an improved system of training and a more appropriate examination syllabus for the budding accountant in industry:

(*a*) There should be alternative articles for the clerk who, with parental approval, seeks employment in industry as his ultimate goal. The articles should contain clauses giving definite expression to this intention by the clerk and to the principal's undertaking to assist to the fullest practicable extent.

(*b*) The term of articles for such clerks should be six years or four years for graduates. It is generally agreed that two or three years in a practising office after qualification is a sensible minimum before entering industry under existing conditions. If articles were to be extended by one year, spent in industry, it might be reasonable to reduce the desirable post-qualification period in a practising office by a similar period so that there was no overall loss of time by the further year under articles. On the financial side it is suggested the advantage to both parties would outweigh the disadvantages.

(*c*) The extra year would be utilized by extending to eighteen months the maximum time that may be spent in industrial or commercial organizations and a compulsory minimum time of twelve months would be introduced.

This is, of course, revolutionary and would require the co-operation not only of members of the Institute employed in industry but also of management and boards of directors. Ought it not to be possible to obtain the willing agreement, indeed the support of industry to such a scheme for training within industry when enormous sums are being spent by industry in training other technicians? If industry already recognizes the importance of accountants to the extent of employing some 10,000 members of the Institute will it not open its doors to training them in their articled stage, just as it trains many thousands of apprentices in engineering and technical subjects? Of course an innovation of the kind I am suggesting will take time to organize and establish and at first there may be more applications than there are vacancies but if a start can be made I believe expansion would follow.

How many clerks would have to be placed each year? Integration has made it difficult to guess the future but based on 1957 registrations and assuming one in three as industrial aspirants there would be some 550. This is surely not too high a figure to be absorbed when one considers both the needs of industry for accountants and the new atmosphere that has recently developed over large sections of industry in regard to training generally.

(*d*) Members in industry would also be asked to contribute in another way towards the success of the scheme. I believe in the importance of the personal relationship between articled clerk and principal, recognized in the words of the clerk's covenant that 'he will faithfully and diligently serve the principal as his clerk'. Under the suggested scheme for compulsory service in industry it would, I suggest, be essential for the clerk to have personal allegiance to an industrial accountant, a member of the Institute acting *in loco principalis*. I suggest, therefore, that in the new form of articles there should be power to have them transferred for the duration of the industrial service into the name of a chartered accountant in industry. This carries to a logical conclusion the original intention of the Council, as publicly stated in November 1948 when bye-law 58 (*c*) was first promulgated that:

> 'The Council has decided that approval under this provision will be given only . . . where definite arrangements have been made under which a senior official of the organization will be responsible for the training which the articled clerk receives.'

(*e*) The examination syllabus would require revision. Mr Parker said that he 'agreed that for an articled clerk aspiring to service exclusively in industry a number of the subjects embraced in the present Institute examinations may seem to be poor substitutes for additional study of industrial and management accounting and directly related matters'.

Mr Parker's own solution is to introduce alternative questions or alternative papers and he rejects the idea of alternative Final examinations largely on the grounds, I think, that the present full period of articles is none too long for assimilation of those fundamentals which make a good accountant. With this I agree and have accordingly put forward the idea of the additional year of articles for industrial aspirants. If this is accepted then there must in any case be a specially devised Final examination. Without going into too much detail I would exclude or materially reduce the importance of executorship law and accounts (as suggested by Mr Parker), trust accounts, partnership accounts and the law in relation to liquidations, bankruptcies and receiverships. I would even suggest that there should be alternatives to questions on consolidated accounts which can only concern a very small proportion of accountants in industry.

(*f*) I am impressed by the emphasis in the report of the Scottish Institute on the desirability of 'rearranging the syllabus so that matters of factual knowledge and questions of presentation are dealt with separately from and at an earlier stage than those questions which demand some maturity of thought and judgement'. The extra year would enable those latter questions to be set in a second and separate part of the Final examination and this would, I think, be advantageous. An interesting American comment made two years ago on accounting curricula was the 'lack of training in the analysis and solution of complex business problems and too much emphasis on the "how" of doing things over the "why".' I believe that to be fair criticism; we have concentrated too much on our techniques of recording and manipulating figures and too little on what figures are wanted and what for.

Too often accounting is treated by accountants as an end in itself; perhaps in the case of published accounts that may be partly justified but in the field of management accounting it has no validity at all. There accounting is a means, its sole objective is to give management the right information about the right things at the right time. The skills that need to be taught, but are too often neglected, I fear, in these days of crammed knowledge, and not only by articled clerks, are:

(i) the ability to analyse actual business

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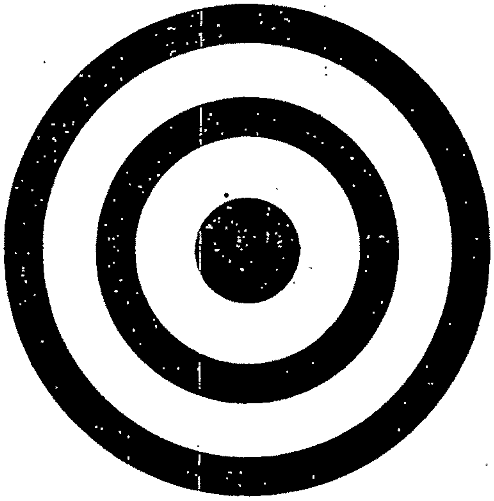

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situations, not just the accounting records or books;

(ii) the ability to make correct deductions from the facts;

(iii) the ability to present the deductions in report form in clear and concise language with only such figures included as are relevant.

These are counsels of perfection and it is in any case somewhat difficult by written examination to test their assimilation by an articled clerk. But they should, I suggest, be borne in mind if a new Final examination syllabus for articled clerks destined for industry is to be evolved.

68. These are, no doubt, controversial proposals and many of you may feel I have underestimated the difficulties and the disadvantages. But I believe there is a challenge at the present time to the collective good sense of the practising accountants and the accountants in industry to get together on this problem. I believe that members of the Institute have a grave responsibility in this matter:

(i) to the young men and women whose avowed object is a career in industry but who wish to enter it with the best available accountancy qualification; and

(ii) to industry itself which looks to our Institute to provide it with a steady flow of the best possible material to meet its growing need for accountants. Any failure by the Institute will further intensify the competition already being faced from accountants better qualified in the particular skills and knowledge which industry requires.

69. I know from my own experience over twenty-five years that the average young chartered accountant coming into industry is almost 'lost' for the first year or eighteen months. Inevitably some time must be allowed for settling down but I believe this period could be much reduced if reforms are introduced into the training schedule and the examination syllabus on the lines I have suggested.

70. There is a further point. Many members of the Institute occupy positions in industry in countries of the Commonwealth and elsewhere. With the growth of British investment overseas – a development arrested by world wars and slowed down by our own domestic needs for capital but happily now resumed on a major scale – there is increasing need for the standards and traditions of British accounting, no less of the accountant in industry than of the accountant in public practice, to be exported along with the capital. This will help to insure both the efficient redeployment overseas of the savings of British investors, corporate and individual, and the continuous protection of their interests.

71. The dual training within the practitioner's office and in industry on the lines I have suggested will improve the service provided by those chartered accountants who decide, as many do, soon after qualification to seek their future overseas.

Conclusion

72. I must now try and draw together the threads of this address. I took as my starting-point the proposition that to attempt an assessment of the present value of the accountant in industry was the best guide to his future role. Indeed, valuation is in itself an anticipation of the future.

73. I have approached the problem of value in three ways:

(*a*) Quantitatively, estimating that there are now about 10,000 chartered accountants in industry and commerce in the United Kingdom and that their number has quadrupled in twenty-five years.

(*b*) Dimensionally, if I may use the term, showing that the accountant has penetrated into all levels of management up to the very top. But I suggested that every accountant entering industry must be prepared to spend much time and effort on learning as much as possible about all the non-accounting aspects of the business. His aim should be to study the problems of the business from as broad a basis as possible if his own specialized knowledge and experience are to be put to the best use.

(*c*) Qualitatively, suggesting that integrity, knowing his job and getting on with other people are the three most important qualities. Are they not essential qualities for success as an executive in industry? Moreover, are they not just those qualities which a principal strives most to inculcate into an articled clerk? Perhaps we have here the fundamental reason why so many chartered accountants have achieved success in industry.

74. After this process of evaluation based on past growth and current achievement I embarked on the more hazardous and contentious part of my task of surveying the future of the accountant in industry. Firstly there is industry itself. I quoted certain authorities, and many more could be found to support them, who say that by 1970 output can and should be increased to 160 per cent of current levels and the standard of living doubled. Here then is vastly increased opportunity for the accountant, not necessarily in new fields, but certainly in intensified effort in those he has already made his own, such as financial control of capital spending, optimum deployment of financial resources, the maximization of profit and the elimination of waste, to name only a few. Industry in conditions of ever greater competition will rely much on the accountant in its perpetual struggle to improve its efficiency.

75. The accountant, therefore, must be familiar with the new administrative techniques which in these complex days are essential tools of management if profitability is to be increased through improved efficiency. Electronic data processing, operational research and work study are the most important of these new techniques and they are closely interrelated.

But the accountant must also keep up with developments in management accounting, his practical objective always being their effective application to the circumstances of his own business. I suggested that research into management accounting was desirable, possibly in co-operation with representatives of management bodies, and that a pressing subject for such research was accounting for changes in the purchasing power of money.

76. From considerations of the further education of the matured industrial accountant it seemed natural to think backward to his education in the chrysalis or articled clerk stage from which he had emerged. Here I put forward for your consideration certain proposals. Whilst I do not expect unqualified support I hope they may receive serious consideration. Even if you do not agree with my solutions the problem remains and must be solved. I realize practitioners are very concerned at the present time with a proper and sufficient flow of replacements for themselves. But the number of chartered accountants in practice in the United Kingdom has only increased by 70 per cent over the last twenty-five years (4,198 in 1932 to 7,052 in 1957) whereas accountants in industry have quadrupled in number during that period.

77. What the demographers call the net reproduction rate, therefore, of the industrial accountant is much greater than that of the practising accountant. Nevertheless I hope the problem will be approached in a spirit of resolve to find the best solutions by co-operation and not by competition. The ultimate aim must be to insure a flow of new entrants into the profession of sufficient quantity and adequate quality to meet the combined demands of industry and the practitioner's office. Only then will the accountant be assured of his rightful place in the van of industrial progress.

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Weekly Notes

State Aid for House Purchase

THE Government's proposed scheme to give further encouragement to house purchase for owner-occupation is now outlined in a White Paper.[1] Local authorities are to be given power to advance 100 per cent of the purchase price (or value if lower) instead of the maximum of 90 per cent. Apart from this, the new scheme is concerned with the building society movement, as the chosen vehicle of the new policy. In the first place, deposits with building societies which comply with certain requirements will acquire trustee status. This will certainly divert a considerable amount of trust money into building societies, for this form of investment is convenient and cheap; no stamp duty, no broker's commission, no elaborate transfer documents. The requirements laid down are such as to exclude very small societies, or societies which do not have what are considered to be adequate reserves.

Loans from the Exchequer will be made to approved societies and will be earmarked for financing the purchase of private houses built in the United Kingdom before 1919 and of a value not exceeding £2,500. Provided that the house is adequate security and the borrower can afford the repayments, he can be sure of obtaining a loan up to 95 per cent. The White Paper points out that building societies are already lending over £40 million a year for the purchase of pre-1919 houses, in addition to £330 million for newer ones. The Exchequer loans will have the effect of making more funds available for newer houses.

The present system of improvement grants is to be made simpler and more effective, and will be of great use to people buying pre-1919 houses. Provision is to be made for certain standard improvements (indoor sanitation, domestic hot water, a bathroom and a ventilated food store) to carry, within financial limits, a right to an improvement grant.

The interest on the Exchequer loans will be one-half per cent lower than that charged by the building society.

F.B.I. on Nationalization

IT was not to be expected that the report on nationalization published by the Federation of British Industries[2] would be anything but critical of nationalizing industries. The main interest of the report published earlier this week lies in the arguments advanced against nationalization and the fact that the F.B.I. set out to put the issue 'constructively objectively and fairly dispassionately'. On the whole they appear to have done so.

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[1] Cmnd. 571. H.M.S.O. 6*d* net.

[2] *Report on Nationalization*, Federation of British Industries, 21 Tothill St, London, SW1. 5*s* post free.

The main conclusions of the report are that nationalization makes efficiency elusive first by extending entrenching monopoly, secondly by subjecting it to political control, and thirdly by removing the only reliable yardstick of profitability; and that the threat of further nationalization tends to prevent proper long-term planning and the financing of capital development required for expansion. The report concludes that quite apart from investment for expansion, the savings of the public corporations as a whole in the ten years 1948 to 1957, fell short of estimated true depreciation costs by £1,102 million. Charging below cost and the break-even principle of

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LONDON'S CHARTERED ACCOUNTANT LORD MAYOR

SIR HAROLD GILLETT, M.C., F.C.A., Alderman of Bassishaw and a member of the Council of The Institute of Chartered Accountants in England and Wales, was installed as the 631st elected Lord Mayor of London in Guildhall last Saturday. There have been 703 terms of office since the election of the first mayor in 1192, but in earlier times a number held office for more than one year and on some fifteen occasions a custodian has been appointed by the Sovereign. In the City the Lord Mayor ranks first after the Queen and outside the City he takes precedence next below Privy Councillors on public occasions.

Sir Harold, who is senior partner in the firm of Dixon, Wilson, Tubbs & Gillett, Chartered Accountants, of Basinghall Street, London, and a director of numerous public companies, was elected to the Common Council for the Bassishaw Ward in 1930 and became an Alderman in 1948. He was a Sheriff of the City in 1952–53 and received his knighthood in 1953.

The traditional Lord Mayor's Show was held last Monday, when the new Lord Mayor went to the Law Courts to make his statutory declaration of office and to claim the ancient rights and privileges of the City.

The theme of the procession was the Territorial Army which this year celebrates its golden jubilee and with which Sir Harold has had a close association for many years.

The Lord Mayor's Banquet was held on Monday evening and according to custom was attended by the Prime Minister whose speech, in response to the toast of 'Her Majesty's Ministers', dealt with the Government's foreign policy.

The Lord Mayor acknowledges the cheers of the crowds during Monday's procession.

taking one year with another are said to remove 'the salutary fear which is widespread in industry of showing an accounting loss in any one year'.

The report advances four reasons, not all equally applicable to all the nationalized industries, for the view that costs have been too high. These are the absence of full personal responsibility, weakening of control of labour costs by political considerations, reliance on the taxpayer to meet deficits and insufficient attention to the cost of supplying individual classes of customer. The report reaches the conclusion that labour relations have not improved and may have become worse due to involvement of the Government in industrial disputes. Looking ahead, the report considers that further nationalization would jeopardise exports and that many overseas governments might be prejudiced against British Government-owned concerns in their territories.

Finally, the F.B.I. gives some consideration to the Labour Party proposals for Government purchase of industrial shares. Although it is not proposed that the Government should exert control over companies through these shareholdings, the F.B.I. considers that in fact they would come to do so. The report is, of course, one-sided but it emphasizes the need for supporters of further nationalization to put forward a convincing case for their proposals if these are not to be regarded merely as a political panacea.

Rent Increases of Controlled Dwellings

THE Rent Act 1957 introduced a new measure for calculating the maximum rent which a landlord could charge in regard to property which was not taken out of control.

Taking the gross rateable value as the basic figure, the Act provided a variable multiplier, depending on the extent to which the tenant was responsible for repairs. Internal decorative repairs were excluded from consideration unless the landlord had undertaken responsibility for such repairs. Leaving aside internal decorative repairs, therefore, the maximum multiplier was two if the tenant was not responsible for repairs, and the minimum was four-thirds if the tenant was responsible for all repairs. In cases where the tenant was responsible for some but not all repairs, the multiplier was to be between two- and four-thirds according to the extent of the obligations. If agreement could not be reached, the County Court was to be the arbiter.

In determining such questions, is one to go beyond the express agreement of the parties? That this appears to be so is the somewhat surprising decision of the House of Lords in *Regis Property Co Ltd v. Dudley* (*The Times*, November 7th, 1958). Viscount Simonds said that regard must be had also to the common law obligations imposed on every tenant, whether or not he had entered into any express agreement as to repairs. Thus account had to be taken of the fact that at common law, every tenant is liable for permissive waste, that he is under an implied obligation to use the property in a tenant-like manner, and that he is responsible for the negligence not only of himself but also of his family, his servants and agents. In this case, the trial judge had taken into account such common law obligations in fixing the appropriate multiplier, and the majority of the House of Lords affirmed his judgment. The House, moreover, gave an important ruling on the meaning of a 'wear and tear' exception to a repairing covenant. The tenant was not excluded from liability in respect of all disrepair which could be traced to the original defect caused by wear and tear. 'He is bound to do such repairs as may be required to prevent the consequences flowing originally from wear and tear from producing others which wear and tear would not directly produce.'

Trade Unions in 1957

SOME details of the operations of trade unions during last year are given in Part 4 of the Report for 1957 of the Chief Registrar of Friendly Societies which deals with the work of his department under the Trade Unions Acts.[1]

Registration under the Acts is voluntary and, apart from political funds, the report relates only to the transactions of registered unions. It is estimated, however, that so far as unions of employees are concerned the membership of registered unions represents about 90 per cent of the total membership of the trade union movement in Great Britain. The registered associations of employers, on the other hand, form only a small proportion of the number of such associations known to exist and are probably not the most important of them.

The report states that last year the trade unions paid out £2,971,000 in dispute benefits, an increase of £2,152,000 over 1956 and higher than in any year since the General Strike of 1926. More than 12 per cent of the unions' total expenditure went in strike pay. Provident benefits (that is sickness, accident, death and superannuation benefits) accounted for 19 per cent of the expenditure. Another 15 per cent was accounted for by unemployment benefit, political activities and miscellaneous obligations. Working expenditure rose by £903,000 in 1957 representing 53 per cent of total expenditure.

The membership of registered unions of employees increased during 1957 from 8,549,000 to 8,593,000. Their total income of £25,707,000 (of which £22,636,000 was subscribed by members) was £2,283,000 higher than in the previous year, and their expenditure increased by £3,951,000 to £24,382,000. The funds of the unions of employees rose by £1,301,000 (as compared with a rise of £2,930,000 during 1956) and at the end of the year amounted to £80,796,000, representing an average of £9 8*s* per member.

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[1] *Report of the Chief Registrar of Friendly Societies for the year 1957, Part 4, Trade Unions.* H.M.S.O. 3*s* net.

The Institute of Chartered Accountants in England and Wales

RECOMMENDATION ON ACCOUNTING PRINCIPLES, No. 18

Presentation of Balance Sheet and Profit and Loss Account

The Council of The Institute of Chartered Accountants in England and Wales makes the following Recommendation to members in replacement of Recommendations 4, 5, 6 and 8. The Recommendation relates to the accounts of companies engaged in industrial and commercial enterprises. Whilst it is recognized that the form in which accounts are submitted to shareholders is (subject to compliance with the Companies Act) a matter within the discretion of directors, it is hoped that this Recommendation will be helpful to members in advising, in appropriate cases, as to what is regarded as the best practice.

BUSINESSES are so varied in their nature that there must be flexibility in the manner of presenting accounts. A standard form to suit every industrial and commercial undertaking is neither practicable nor desirable. This is recognized in the Companies Act, 1948, which, while containing extensive requirements as to matters to be disclosed in the accounts, does not prescribe any standard method of giving the true and fair view required by Section 149. The detailed requirements of the Act are not incorporated in this Recommendation and therefore it does not deal with many of the matters referred to in the Recommendations which it replaces, those matters now being covered by the Act.

(2) Special considerations arising on consolidated and other group accounts (including profit and loss accounts framed as consolidated profit and loss accounts) are not dealt with in this Recommendation, nor are the special exceptions permitted under the provisions of the Companies Act, 1948 in respect of the accounts of banking, insurance, shipping and other special classes of companies.

Balance Sheet

(3) The function of a balance sheet is to give a true and fair view of the state of affairs of the company as on a particular date. A true and fair view implies appropriate classification and grouping of the items and therefore the balance sheet needs to show in summary form the amounts of the share capital, reserves and liabilities as on the balance sheet date and the amounts of the assets representing them, together with sufficient information to indicate the general nature of the items.

(4) A true and fair view also implies the consistent application of generally-accepted principles. Assets are normally shown at cost less amounts charged against revenue to amortize expenditure over the effective lives of the assets or to provide for diminution in their value. A balance sheet is therefore mainly an historical document which does not purport to show the realizable value of assets such as goodwill, land, buildings, plant and machinery; nor does it normally purport to show the realizable value of assets such as stock-in-trade. Thus a balance sheet is not a statement of the net worth of the undertaking and this is normally so even where there has been a revaluation of assets and the balance sheet amounts are based on the revaluation instead of on cost.

RECOMMENDATIONS

It is recommended that, subject to compliance with statutory requirements, the balance sheet should be presented in conformity with the following general principles:

Headings for groups of items

(5) The terms used in paragraphs 2, 3 and 4 of the Eighth Schedule to the Companies Act, 1948, such as issued share capital, reserves, liabilities, fixed assets and current assets, are normally appropriate headings for summaries and classifications. Other headings should be used if it is considered that they will be better for the purpose of presenting a true and fair view of the state of affairs of the company. The use of general main headings such as 'liabilities' and 'assets' is unnecessary.

Redeemable preference shares

(6) In addition to the earliest date on which the company has power to redeem redeemable preference shares, other material facts relating to redemption of those shares should be indicated; examples are the latest date on which redemption may take place and any premium payable on redemption.

Reserve fund

(7) The description 'reserve fund' should not be applied to a reserve unless it is represented by specifically earmarked investments (or other assets)

realizable as and when required at not less than the amount of the 'reserve fund'. Exceptions arise from the statutory requirement to describe a 'capital redemption reserve fund' as such and from any provision of the memorandum or articles of association, or other instrument constituting or regulating a company, requiring a reserve to be described as a 'fund'.

Capital reserves

(8) The expression 'capital reserves' should be used to describe reserves which for statutory reasons or because of the provisions of the memorandum or articles of a company or for other legal reasons are not free for distribution through the profit and loss account.

(9) The expression 'capital reserves' may also be applied to other reserves which, although legally distributable, are regarded by the directors as not available for distribution at the date of the balance sheet. Such a reserve shown as a capital reserve in one balance sheet may, owing to a change of circumstances, properly be shown in the next balance sheet as a revenue reserve.

Sub-division of revenue reserves (including unappropriated profits)

(10) Where revenue reserves are retentions of distributable profits available for general use in the business and none of them is created in accordance with statutory requirements or in pursuance of any obligation or policy, the sub-division of such reserves under a variety of headings is unnecessary.

Additions to and withdrawals from reserves

(11) All profits and losses of a revenue nature should normally be reflected in the profit and loss account. Additions to or utilizations of revenue reserves and the application of capital reserves to the relief of charges on revenue should therefore normally be passed through that account. They should be dealt with either as items entering into the ascertainment of the result shown for the year or as adjustments of the unappropriated balance from the accounts of the current and prior years as may be appropriate. This does not however prevent wholly exceptional items of material amount which do not relate to the accounting period from being taken direct to reserves if a true and fair view will be better presented in that way.

(12) If the inclusion in the profit and loss account of capital losses and of realized capital profits (so far as these may lawfully be included) will facilitate the presentation of a true and fair view of the results of the transactions of the year they should be passed through the account.

(13) Where movements in reserves are not shown in the profit and loss account and are of material amount they should be disclosed in the balance sheet or in notes on the accounts. Such items may include movements on capital reserves not dealt with as mentioned above, transfers between reserves, transfers from reserves to share capital account and applications of reserves in writing-off items such as preliminary and issue expenses.

Sub-total of share capital and reserves

(14) A sub-total of share capital and reserves, including any credit balance carried forward on profit and loss account, should be shown and any description should be factual, such as 'share capital and reserves'. Descriptions such as net worth, which lend themselves to being misunderstood as tending to suggest that a balance sheet purports to be a statement of values, or to show the value of the undertaking, should be avoided.

Adverse balance on profit and loss account

(15) Available reserves should be appropriated to extinguish an adverse balance on profit and loss account. Where this practice is not adopted, the adverse balance should be grouped with and be a deduction in arriving at the sub-total of share capital and reserves. Preferably such deduction should be made first from revenue reserves; if these are insufficient then from the aggregate of revenue and capital reserves. If both are insufficient the adverse balance should be deducted from the aggregate of share capital and reserves.

Amounts set aside for future income tax

(16) Amounts set aside for future income tax, whether described as reserves or not, should be shown separately and should preferably not be aggregated with reserves. Income tax assessable for any income tax year commencing after the balance sheet date should not be grouped with liabilities.

Provisions

(17) Where the replacement of fixed assets is dealt with by making provision for renewals and charging the cost of replacement against the provision so made, the accumulated amount of provision for renewals, so far as not used, should be shown separately. Such a provision should not be shown as a deduction from the assets.

(18) Where depreciation is provided on fixed assets, an amount set aside in recognition of the increased cost expected to be incurred in replacing fixed assets, as compared with the amount at which they are carried in the books, is not a 'provision'; it is a reserve and should be shown as such.

(19) On a proper grouping of the balance sheet some provisions may not be suitable for aggregation with other provisions, for example where some provisions are current liabilities and others are not. The statutory requirement (paragraph 6 of the Eighth Schedule) to give an 'aggregate' should not be treated as a restriction operating against the presentation of a true and fair view.

Reasonableness of provisions

(20) Paragraph 27 (2) of the Eighth Schedule provides that where any amount written off or retained by way of providing for depreciation, renewals, or diminution in value of assets (not being an amount written off in relation to fixed assets before July 1st, 1948) or retained by way of providing for any known liability, is in excess of that which in the opinion of the directors is reasonably necessary for the purpose, the excess shall be treated as a reserve and not as a provision. Directors should be advised that an opinion expressed in accordance with paragraph 27 (2) should be based on a consideration of all relevant information and have regard to recognized accounting principles.

Grouping of liabilities and proposed dividends

(21) Current liabilities and proposed dividends should normally be shown in one group classified under appropriate descriptions and will include, *inter alia*:

(*a*) trade liabilities, bills payable, accrued charges
(*b*) short-term loans
(*c*) bank loans and overdrafts
(*d*) current taxation
(*e*) provision for any current liability of which the amount cannot be determined with substantial accuracy
(*f*) proposed dividends (less income tax).

(22) In respect of all liabilities other than current liabilities, a specific description such as debenture stock, mortgages, or unsecured notes, should be given. The dates and material conditions of redemption or conversion should be indicated.

Secured liabilities

(23) Paragraph 9 of the Eighth Schedule provides that where any liability is secured otherwise than by operation of law on any assets of the company, the fact that the liability is so secured shall be stated. In complying with this paragraph the word 'secured' should not be used without amplification if there is evidence from the documents that the charge on the assets is for an amount less than the liability.

Bank overdrafts

(24) To comply with paragraph 8 (1) (*d*) of the Eighth Schedule the aggregate amount of bank loans and overdrafts must be shown under a separate heading. Where there are debit and credit bank balances with no legal right of set-off the full amounts of bank loans and overdrafts and of bank balances should be shown.

Contingent liabilities

(25) Where some contingent liabilities are not suitable for aggregation with others the amount or estimated amount of each contingent liability or group of contingent liabilities should be shown if practicable.

Future capital expenditure

(26) In a statement of the aggregate amount or estimated amount of contracts for capital expenditure, given to comply with paragraph 11 (6) of the Eighth Schedule, the description 'contracts for capital expenditure' is appropriate and, as a description of this item, is preferable to 'commitments for capital expenditure' which may have a wider significance.

(27) Where a company has entered into contracts for only part of the work on a project of capital expenditure a matter which directors might be recommended to consider is whether, in addition to stating the amount of contracts outstanding, further information might usefully be given indicating the estimated total expenditure involved in the project they have approved.

Other forward contracts

(28) The existence of uncompleted or forward contracts for the purchase and sale of goods or services in the ordinary course of business is not generally referred to in the balance sheet, but consideration should be given to the possibility of losses arising from open positions on forward contracts and the necessity for providing for such losses.

Assets

(29) Paragraph 4 (2) of the Eighth Schedule requires that fixed assets shall be distinguished from current assets. The division of assets into either 'fixed' or 'current' is not always practicable and could be misleading. (This is sometimes the case with interests in subsidiaries.) Where neither 'fixed' nor 'current' is a true and fair description, the assets should not be described as either but the nature of the assets should be stated clearly.

(30) Where an asset is classified as neither fixed nor current the method of arriving at and stating the amount of a fixed asset, set out in paragraph 4 (3) and (except in the case of interests in subsidiaries) paragraph 5 of the Eighth Schedule, should be applied.

Fixed assets

(31) The fundamental characteristic of fixed assets is that they are held with the object of earning revenue, directly or indirectly, and not for the purpose of sale in the ordinary course of business. They will normally include such assets as:

(*a*) goodwill, patents and trade-marks
(*b*) freehold land and buildings
(*c*) leaseholds
(*d*) plant, machinery and equipment
(*e*) investments intended to be held continuously by the business.

Interests in subsidiaries

(32) Interest in subsidiaries, which may consist of shares in subsidiaries and amounts owing by subsidiaries in respect of debentures or otherwise, should

generally be shown as one group in the balance sheet of the holding company. It may however be desirable to group with current assets the aggregate of the temporary advances and/or the amounts due on current accounts which are regularly paid, provided it is possible to segregate the whole of such amounts from other indebtedness of the subsidiaries to the holding company.

(33) A holding company's indebtedness to its subsidiaries should normally be grouped with liabilities but should be stated separately. Such indebtedness may however be shown as a deduction from interests in subsidiaries in appropriate circumstances, for example where the subsidiaries lend their surplus funds to the holding company.

Fellow subsidiaries

(34) Shares held by a subsidiary in a fellow subsidiary should be shown separately.

Associated companies

(35) Where interests in associated companies are material they should be stated separately under the general heading of 'Trade Investments' or under a heading of their own.

Current assets

(36) Items classified as current assets should include:

(*a*) stock-in-trade and work in progress
(*b*) trade and other debtors, bills receivable and prepayments (other than those on capital expenditure or of a long-term nature)
(*c*) quoted and other readily realizable investments (other than trade investments, investments in subsidiaries and fellow subsidiaries and other investments intended to be held continuously even though they may happen to be quoted or are otherwise readily realizable)
(*d*) tax reserve certificates
(*e*) bank balances and cash.

Overseas assets

(37) If there are material amounts of assets in overseas countries where restrictions on remittances are in force this fact should be disclosed and there should be given such other information, if any, as may be needed to give a true and fair view.

Profit and Loss Account

(38) The general aim of a profit and loss account should be to show a true and fair view of the profit or loss of the year, before and after taxation, based on the consistent application of recognized accounting principles. The account should be presented in a form which affords as clearly and readily as circumstances permit a comparison with the results of previous years.

(39) There are differing opinions as to what should be included in the amount shown as the profit or loss of a year. Some consider that it should take into account, subject to separate disclosure of material items in certain circumstances, all profits or losses arising or ascertained within the year, including those items which are the result of activities of the year and others which are the consequence, ascertained within the year, of transactions of earlier years. Others hold that the amount shown as the profit of the year should be restricted to the results of the operations of the year and that all other items should be excluded from the profit or loss of the year as being adjustments of earlier years and should be so shown in the profit and loss account.

(40) Each of these opinions has arguments in its favour and it cannot be said that either of them is generally accepted to the exclusion of the other. Provided that the account is prepared in conformity with either of these opinions and is the result of the consistent application of recognized accounting principles it can properly be said to be true and fair. If a change is made in the accounting principles applied and the effect is material, that fact and its consequences would need to be disclosed.

RECOMMENDATIONS

It is recommended that, subject to compliance with statutory requirements, the profit and loss account should be presented in conformity with the following general principles:

Profit or loss of the year

(41) Where the turnover is not disclosed the profit and loss account should commence with the trading surplus or deficit of the year computed after charging depreciation and all other trading expenses. Depreciation and other items which have been charged or brought to credit in arriving at the trading surplus or deficit, but which are disclosed to comply with the Companies Act, 1948, or because the directors consider that they should be disclosed, should be shown by notes on the account or by an unextended inset or in a 'box' immediately after the trading surplus or deficit of the year.

(42) Other income and non-trading expenditure of the year should then be shown. If the balance on the account at this stage shows a profit it may be described as 'profit before taxation' and against this amount there should be charged the taxation based on this profit. The balance arrived at is the 'profit after taxation'.

(43) Items of an exceptional or non-recurrent nature should be dealt with in such a way as to show in the particular circumstances a true and fair view of the result of the year. Such items, other than tax adjustments of earlier years, may be dealt with as follows:

(*a*) where the items arise from the trading operations of the company, they may be dealt with in arriving at the trading surplus or deficit and disclosed separately by one of the methods recommended in paragraph 41

(*b*) they may be shown separately in the section of the account which includes other income and non-trading expenditure of the year

(*c*) they may be shown separately after the 'profit after taxation'

(*d*) they may in appropriate circumstances be omitted from the profit and loss account and taken direct to reserve (see paragraph 11).

(44) Where exceptional or non-recurrent items have been taken into account before arriving at 'profit before taxation', any tax charges or reliefs arising because of the items should be included with the tax charge on such profit.

(45) Where exceptional or non-recurrent items are not taken into account before arriving at 'profit before taxation', the effect of these items on the amount shown in respect of tax should be considered; where appropriate the relevant tax charges or reliefs should be shown as separate adjustments to the respective items.

(46) Whether brought into the account with the tax charge of the year or shown after 'profit after taxation' any adjustment of the tax charge of previous years should be separately disclosed, if material.

Depreciation of fixed assets

(47) The requirement in paragraph 14 (2) of the Eighth Schedule should be applied to each class of fixed asset and not to fixed assets as a whole; this requirement is that, if depreciation or replacement of fixed assets is provided for by some method other than a depreciation charge or provision for renewals, or is not provided for, the profit and loss account must state the method by which it is provided for or the fact that it is not provided for, as the case may be.

Annual payments

(48) Debenture, loan and note interest, royalties and other annual charges payable under deduction of income tax should be charged gross in the profit and loss account.

Income from investments

(49) Dividends, interest and other income should be brought to credit gross and should therefore include income tax suffered by deduction, or deemed for income tax purposes to have been suffered by deduction, on such income. The relative amount of income tax should be included as part of the charge for income tax for the year.

Income from subsidiaries

(50) Although paragraph 12 (1) (*g*) of the Eighth Schedule requires the amount of income from investments to be shown, paragraph 15 (2) (*a*) excludes income from investments in subsidiaries from this requirement. Income (gross) from subsidiaries may, with appropriate narrative, properly be included in the trading surplus of the holding company and need not be shown separately in the profit and loss account of that company unless it is necessary to do so in order to present a true and fair view.

Subvention payments

(51) A subvention payment (Section 20 of the Finance Act, 1953) made by a holding company to a subsidiary can for accounting purposes be regarded as the converse of the receipt of a dividend from a subsidiary. Therefore:

(*a*) where a holding company has given or received a subvention payment it need not be shown separately in the profit and loss account of the holding company provided that the income from investments in subsidiaries is included in the trading result and there is appropriate description of that result

(*b*) a subvention payment should normally be shown separately in the profit and loss account of a subsidiary which has received or given a subvention from or to the holding company or a fellow subsidiary. This disclosure may however properly be omitted where trading results have been affected materially by an arbitrary course of dealing in respect of inter-company transactions.

Dividends paid or proposed

(52) Paragraph 12 (1) (*h*) of the Eighth Schedule requires that the aggregate amount of the dividends paid or proposed shall be shown in the profit and loss account. In addition to this statutory requirement, the dividends on each class of shares should be shown, distinguishing between dividends already paid and dividends recommended. The rates (per cent or per share) at which dividends have been declared or are proposed should preferably be stated. It may be helpful to shareholders to state the dates of payment of the dividends.

(53) The amounts shown in respect of dividends paid or payable should be the net amounts, whether they are declared as 'subject to income tax', 'less income tax' or 'free of income tax'.

Comparative Figures

RECOMMENDATIONS

(54) It is recommended that the following principles should be applied in complying with paragraphs 11 (11) and 14 (5) of the Eighth Schedule, which require the corresponding amounts for the immediately preceding year to be shown for all items in the balance sheet and profit and loss account.

(55) Where an item, which is required to be stated, appears in a note on the accounts or in a document annexed thereto the corresponding amount for the immediately preceding year should be shown.

(56) Where the accounts do not include an item corresponding to an item which appeared in the accounts for the immediately preceding year the amount for that earlier year should nevertheless be shown; except that where the item appeared in a note on or document annexed to the accounts for the immediately preceding year it may not be necessary to repeat the item unless its omission could cause the comparison of the two years' accounts to be misleading.

(57) If items in the accounts have been re-grouped, sub-divided or otherwise rearranged as compared with the accounts for the immediately preceding year then the items for that earlier year should be similarly rearranged for the purpose of showing the comparative figures.

(58) Where a change in the basis of accounting affects materially the comparability of the profit and loss account of the year with that of the preceding year appropriate information should be included in the accounts by way of note or otherwise. This information should explain the nature of the change and should indicate either the extent to which the account of the preceding year would have been affected had the revised basis been in use in that year, or, as may be appropriate, the extent to which the account of the current year would have been affected had no change been made.

Notes on the Accounts

RECOMMENDATIONS

It is recommended that the following principles should be applied where the Companies Act permits information to be given by note or in a statement annexed:

(59) Where a note relates to an item in the accounts there should be a reference against that item to the note.

(60) Where information is given in the directors' report instead of in the accounts (see Section 163 of the Companies Act) the relative paragraphs in the directors' report should be clearly identifiable and specifically referred to in the accounts.

(61) A copy of the chairman's statement, even if it accompanies the accounts, is not an appropriate document in which to give information which should be given in the accounts.

Finance and Commerce

Calico Printers

THIS week's reprint is from the accounts of The Calico Printers' Association Ltd, the company that gave us 'Terylene' and is a pioneer in the 'drip-dry' poplins. The 'Terylene' patents have this year reached the end of their normal sixteen-year life. The company, however, filed in January an application for extension against which opposition was lodged in April by British Celanese Ltd. Subsequent proceedings can be prolonged; meanwhile, the owner of the patents is entitled to their continued use.

The importance of royalty income to Calico Printers' can be seen from the profit and loss account. The directors state that royalty income from 'Terylene' and other patents amounted to £300,000 after deducting taxation at appropriate rates. The net increase of £63,000 was due to the further expansion of sales of 'Terylene' by Imperial Chemical Industries Ltd and Canadian Industries Ltd and of polyester fibres by European manufacturing licensees. 'Polyester fibres' are the same thing outside the trade name.

Tax Position

The result of the application will not affect the royalty income from Canada nor the royalties payable by European and Japanese licensees from whom the Association also receives capital sums in respect of manufacturing and selling rights in the countries concerned.

Capital receipts of this nature amounting to £402,000 have been credited to contingencies reserve during the last four years. It is considered, state the directors, that these capital sums are not liable to income or profits taxes but if the whole of the receipts to date were held to be taxable, a liability of £186,734 would arise and would be charged to contingencies reserve. There are outstanding instalments of such capital sums amounting to £127,000 of which the major part is due in the 1958–59 year.

The royalty position gives particular interest to the distribution policy. The special nature of the additional revenue from royalties is recognized by an increase in the bonus. The dividend, however, has been reduced owing to the reduced profit from trading activities. Taking the two together, the total to be distributed is unchanged.

There is a reminder here that the company's business in part can be very much determined by the weather. Let the sun shine and the ladies will display their 'butterfly' fashions; fashion prints will move off the shelves and the repeat orders will come in. Apart from the weather, however, the board takes the view that commission printing has passed its peak demand and steps are being taken to concentrate productive capacity.

Next Week's Reprint

The reprint in next week's issue will be from the accounts of Thomas Preston Ltd.

THE CONSOLIDATED BALANCE SHEET OF

THE CALICO PRINTERS' ASSOCIATION, LIMITED AND ITS SUBSIDIARY COMPANIES

30th June, 1958

30th June, 1957 £		£	£	£
6,000,000	**CAPITAL OF THE ASSOCIATION** **Authorised**		6,000,000	
	Issued—			
3,016,104	£3,016,104 5% Cumulative Preference Stock		3,016,104	
2,010,736	£2,010,736 Ordinary Stock		2,010,736	
5,026,840				5,026,840
	CAPITAL RESERVES			
6,865,530	Capital Reserve of the Association		6,865,530	
1,470	Premium on Shares		1,470	
77,660	Other Capital Reserves (Note 6)		1,663,105	
6,944,660				8,530,105
	REVENUE RESERVES AND SURPLUS			
3,676,071	General Reserves	3,676,071		
1,053,007	Contingencies Reserves (Note 7)	1,176,426		
925,635	Balance on Profit and Loss Account	1,222,455		
			6,074,952	
1,686,978	Reserves against Investments, Stocks and Debtors (Note 8)	1,673,794		
1,000,000	Reserve against Overseas Investments (Note 9)	925,379		
			2,599,173	
8,341,691				8,674,125
20,313,191	**TOTAL ATTRIBUTABLE TO PREFERENCE AND ORDINARY STOCKHOLDERS IN THE ASSOCIATION**			22,231,070
	MINORITY SHAREHOLDERS			
706,671	Shareholding in Subsidiary Companies and proportionate share of Reserves and Surplus			210,530
	DEBENTURE STOCKS			
3,200,000	**The Association**—4% Perpetual First Mortgage Debenture Stock (Note 10)		3,200,000	
111,960	**Subsidiary Company**—4½% First Mortgage Debenture Stock		111,960	
3,311,960				3,311,960
£24,331,822				£25,753,560

30th June, 1957 £		£	£	£	£
14,041,572	**FIXED ASSETS** Land, Buildings, Plant and Machinery, etc., per Schedule				14,048,860
	FUNDS HELD BY TRUSTEES FOR DEBENTURE STOCKHOLDERS				
116,472	Investments at, or below, cost (market value £124,135)			119,674	
36,299	Cash at Bank			31,694	
				151,368	
39,266	Sinking Fund Policies in respect of Subsidiary Company's Debenture Stock			41,721	
192,037					193,089
	SHARES IN AND AMOUNTS OWING FROM ASSOCIATED COMPANIES				
1,181,988	Shares at, or below, cost			1,247,641	
498,106	Advances and Current Accounts			543,655	
1,680,094					1,791,296
15,913,703					
	CURRENT ASSETS				
7,835,129	Stock-in-Trade at, or below, cost		7,844,186		
3,409,699	Debtors, Bills Receivable and Payments in Advance		3,396,294		
	Investments in Government and other Securities at, or below, market values				
1,106,740	Quoted Investments (market value £1,138,468)	1,131,469			
14,751	Unquoted Investments	14,775			
			1,146,244		
65,575	Tax Reserve Certificates		10,000		
1,132,722	Cash in Hand and at Banks and on Deposit		1,352,733		
13,564,616				13,749,457	
	Less **CURRENT LIABILITIES**				
2,367,375	Creditors and Provisions		1,842,222		
148,832	Employees' Benefit Fund		149,519		
497,250	Deposits and Interest		521,666		
53,333	Secured Interest accrued on Debenture Stock		53,333		
299,014	Bank Overdrafts		36,513		
4,000	Loan (Secured)		—		
367,190	Provision for Income Tax and Profits Tax to date (Note 11)		398,008		
	Dividends Proposed (*less tax*)				
43,357	On Preference Stock	43,357			
260,139	On Ordinary Stock	260,139			
			303,496		
4,040,490			3,304,757		
1,106,007	Deferred Liability—Income Tax 1958–59 and 1959–60 (Notes 11 and 12)		724,385		
5,146,497				4,029,142	
8,418,119					9,720,315
£24,331,822					£25,753,560

The Schedule and Notes [on page 603] form part of this Balance Sheet.

THE CALICO PRINTERS' ASSOCIATION, LIMITED AND ITS SUBSIDIARY COMPANIES

Year ended 30th June, 1958

CONSOLIDATED PROFIT AND LOSS STATEMENT

30th June, 1957 £		£	£	£
2,526,839	**TRADING PROFIT OF THE GROUP** (Notes 2 and 8)			2,014,806
1,371,307	*Less* Provision for Maintenance, Depreciation, Repairs, Renewals and Upkeep (Note 3)			1,564,668
1,155,532				450,138
521,582	**Royalties**			697,751
	Income from Investments			
72,671	Associated Companies		99,377	
70,256	Government and Other Securities		56,996	
142,927				156,373
1,820,041				1,304,262
	Less—			
128,000	Debenture Interest—The Association ..	128,000		
6,750	Subsidiary Company ..	6,750	134,750	
	Remuneration of Directors of the Association (Note 4)			
7,353	Fees	6,986		
99,509	Management Services	72,344	79,330	
241,612				214,080
1,578,429	**PROFIT BEFORE TAXATION**			1,090,182
	Less—**United Kingdom Taxation**			
673,214	Income Tax on Profits of the Year to date ..	470,010		
199,555	Profits Tax for the Year to date	147,020	617,030	
	Less Adjustments in respect of Previous Years (Note 11)—Income Tax			
27,229		120,644		
17,709	Profits Tax	7,320	127,964	
827,831				489,066
750,598	**NET PROFIT OF THE GROUP**			601,116
49,678	Proportion of Net Losses of Subsidiary Companies attributable to Minority Shareholders			42,557
800,276	**NET PROFIT** attributable to Association Stockholders ..			643,673
47,507	*Less:* Profits retained by Subsidiary Companies			51,579
£752,769	**NET PROFIT OF THE ASSOCIATION** (Note 5) ..			£592,094

The Notes [on page 603] form part of this Statement.

APPROPRIATION STATEMENT

30th June, 1957 £		£	£	£
752,769	**NET PROFIT OF THE ASSOCIATION**			592,094
300,246	**Balance from Previous Year**			306,162
1,053,015				898,256
	Proposed Appropriations			
	Dividend on Preference Stock at the rate of 5% per annum *less* Tax—			
	Paid for half-year ended 31st December, 1957	43,357		
86,714	Proposed for half-year ended 30th June, 1958	43,357	86,714	
260,139	Dividend on Ordinary Stock at the rate of 10% per annum and a bonus of 12½%, both *less* Tax ..		260,139	
400,000	*Transfer to General Reserve*		—	
746,853				346,853
306,162	**Balance carried forward in the Association's Balance Sheet**			551,403
619,473	Amounts retained in Profit and Loss Accounts of Subsidiary Companies			671,052
£925,635	**Balance carried forward in the Consolidated Balance Sheet of the Group**			£1,222,455

THE CALICO PRINTERS' ASSOCIATION, LIMITED AND ITS SUBSIDIARY COMPANIES

SCHEDULE OF FIXED ASSETS

As at 30th June, 1958

	The Association		Subsidiary Companies			Group Total	
	Per valuation at 30th June, 1954, plus additions at cost *less* sales		At valuation 31st March, 1957, plus additions at cost *less* sales	At net book value at 30th June, 1948, plus additions at cost *less* sales	At cost *less* sales		
	£	*30th June 1957* *£*	£	£	£	£	*30th June 1957* *£*
Land, Water Rights, Effluent Works and Receivable Chief Rents ..	803,281	*806,851*	581,275		262,216	5,394,774	*5,563,515*
Works Buildings	3,748,002	*3,769,136*					
Plant and Machinery	6,405,880	*6,485,116*	1,258,589	92,285	251,052	8,007,806	*8,260,149*
Warehouses, Dwelling Houses, Fittings and Fixtures	404,109	*436,089*	12,569	114,699	679,949	1,211,326	*1,371,944*
	11,361,272	*11,497,192*	1,852,433	206,984	1,193,217	14,613,906	*15,195,608*
Less—Unspent Balance of Maintenance and Upkeep Account ..	674,051	*676,261*				1,235,210	*1,813,306*
Depreciation			78,394	68,537	414,228		
	10,687,221	*10,820,931*	1,774,039	138,447	778,989	13,378,696	*13,382,302*
Per Valuation of Association Officials—Copper and other Rollers ..	420,377	*409,483*				420,377	*409,483*
Designs, Engraving and Sampling ..	249,787	*249,787*				249,787	*249,787*
Fixed Assets per Balance Sheet ..	£11,357,385	*£11,480,201*				£14,048,860	*£14,041,572*

NOTES ON THE ACCOUNTS.

1. The Accounts of Subsidiary Companies incorporated in the Consolidated Accounts are made up to 30th June, 1958, with the following exceptions:—

   The Accounts of one Company having Overseas Branches are made up to the 31st December, 1957, to avoid delay in the issue of Consolidated Accounts.

   The Accounts of six Overseas Companies are made up to 31st March, 1958, for the same reason.

2. Trading Profit has been credited with £65,863 previously provided for losses of Associated Companies and now released by current profits.

3. Depreciation of Copper and other Rollers has been provided for by means of a revaluation at 30th June, 1958.

4. In addition to the remuneration shown Directors of the Association have received fees of £225 from Subsidiary Companies.

5. The Net Profit of the Association has been debited with £196,283 provided against current losses of Subsidiary Companies of which £159,269 has been provided by way of Subvention Payments, allowable for taxation relief.

6. Other Capital Reserves in the Consolidated Balance Sheet have been credited with £1,585,445 being surplus on the revaluation of the Fixed Assets of one Subsidiary Company.

7. Contingencies Reserve in the Association's Balance Sheet has been credited with £252,784 surplus on realisation of assets, and debited with £130,000 being estimated loss on realisation of machinery of a closed works. The credit includes £130,000 surplus realised by the sale of properties, and £119,846 capital receipts in connection with polyester fibre patents in respect of which an aggregate of £402,238 has been received to 30th June, 1958, and credited to this Reserve. The Association considers this sum not to be liable to Income Tax or Profits Tax but if the whole of this sum were held to be taxable £186,734 would be payable and would be provided from this Reserve.

   In the Consolidated Balance Sheet, the Reserve has been credited with an additional £635 surplus on realization of assets.

8. Reserves against Investments, Stocks and Debtors have, in the case of the Association, decreased by £42,147, of which £30,147 represents additional provisions required and £12,000 Reserves no longer required credited to Trading Profit.

   In the case of the Group the comparable decrease is £13,184, £28,963 having been transferred to Reserves in the Trading Accounts of Subsidiary Companies.

9. Reserve against Overseas Investments has been debited with £74,621 being capital loss on sale of Shareholding in a Subsidiary Company.

10. The Association holds £51,420 of the 4 per cent Perpetual First Mortgage Debenture Stock at a Book Value of £46,038.

11. The Provision for taxation includes certain amounts relating to matters subject to negotiation with the Inland Revenue and which may not be required. The provision also included at 30th June, 1957, accumulated provisions of £126,000 representing the tax which would be payable if the capital receipts from the sub-licensees under the polyester fibre patents to that date and referred to in note 7 to these Accounts, were included in taxable profits. In the light of advice currently received by the Association and the intention to provide out of Contingencies Reserve for such tax, if it were held to be payable, the above sum has been credited to Profit and Loss Account together with other small adjustments in respect of previous years.

12. The Association's Deferred Liability for Income Tax has been credited with £421,000, the amount charged to Profit and Loss Account for the year, and debited with (*a*) £721,572, the amount which became a Current Liability during the year, and (*b*) £45,000, adjustment of Income Tax for 1958–59, being part of the adjustment credited to Profit and Loss Account.

    In the case of the Group, the relevant figures are £470,010, £806,632 and £45,000 respectively.

13. The Association has contingent liabilities of approximately £104,507 on drafts negotiated and on Shares partly paid.

    The figure for the Group is £125,400.

14. The amount of Capital contracts not provided for is £48,066 for the Association and £65,426 for the Group.

15. Foreign currencies have been converted into sterling on the following basis:—

    Fixed Assets, at the rate ruling at the date of acquisition.

    Current Assets, at the rate ruling at the dates of the Balance Sheets.

CITY NOTES

STRONG response to industrial new issues is one of the current features of the stock-markets. A run of new issues by firmly-established companies well-known to the public has attracted very heavy investment and speculative demand for shares with the result that the share allotment basis has been heavily scaled down and, in some instances, decided by ballot.

The success of these offers made on open public prospectus has drawn suggestions as to the desirability of public offers against the doubtful worth of share placings or introductions.

The point to be made, however, is that there are many occasions when a public offer is either undesirable or uneconomic. A share marketing for death duty purposes, where only a modest proportion of the capital is being made available, is best effected by a 'placing'. The present run of public offers is the result of coincidence rather than design.

Activity in new issues has not adversely affected the general level of activity in the stock-markets. Excellent results from the motor industry have directed fresh investment attention to this section of the market.

Despite some cautious company statements, shares in 'capital' rather than 'consumer' companies have strengthened. In this connection, however, it may be noted that the chairman of the Thos. W. Ward group has said that trading expansion seems unlikely much before next spring.

RATES AND PRICES

Closing prices, Wednesday, November 12th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

Sept. 5	£3 14*s* 0·93*d*%	Oct. 10	£3 13*s* 0·72*d*%
Sept. 12	£3 13*s* 6·81*d*%	Oct. 17	£3 12*s* 3·08*d*%
Sept. 19	£3 11*s* 9·20*d*%	Oct. 24	£3 13*s* 7·94*d*%
Sept. 26	£3 12*s* 6·10*d*%	Oct. 31	£3 11*s* 8·23*d*%
Oct. 3	£3 14*s* 1·39*d*%	Nov. 7	£3 11*s* 7·04*d*%

Money Rates

Day to day	2¾–3½%	*Bank Bills*	
7 days	3½–3⅝%	2 months	3 11/16–3¾%
Fine Trade Bills		3 months	3 11/16–3¾%
3 months	4½–5¼%	4 months	3 11/16–3¾%
4 months	4½–5¼%	6 months	3 11/16–3 13/16%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80 5/16–⅜	Frankfurt	11·69⅞–·70⅛
Montreal	2·72–1/16	Milan	1745¾–6¼
Amsterdam	10·58⅝–⅞	Oslo	20·00¼–⅝
Brussels	139·52½–·57½	Paris	1178¾–⅞
Copenhagen	19·34⅝–⅞	Zurich	12·23¼–¾

Gilt-edged

Consols 2½%	51	Funding 4% 60–90	88
Consols 4%	74⅛	Savings 2½% 64–67	82⅜
War Loan 3½%	65¾	Savings 3% 55–65	89 1/16
Conversion 3½%	65⅞	Savings 3% 60–70	79¼
Conversion 3½% 1969	85⅝	Savings 3% 65–75	73½
Exchequer 5½% 1966	102⅛	Treasury 2½%	48⅞
Funding 3% 66–68	83⅛	Treasury 3½% 77–80	75⅛xd
Funding 3% 59–69	81½	Treasury 3½% 79–81	75⅞
Funding 3½% 99–04	72½	Victory 4%	94¾

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Professional Fees

SIR, – It is common knowledge among practising accountants, both in London and the provinces, that charges to clients have not kept pace with increases in costs, particularly arising from staff salaries.

It is my own experience, and of many fellow practitioners, that increases year by year in our salary costs are coming out of practitioners' profits and are not capable of being passed on to clients. If we are to be able to compete with commerce and industry, we must be able to afford to pay the market rates for the staff we need.

This is a matter of extreme concern to practitioners. We have a duty to our clients to perform our work efficiently, and this cannot be done unless we are able to pay proper salaries to engage and retain staff of the right calibre. We also have the responsibility, occasionally arduous, of providing the basic training for future members of the Institute, and obviously this cannot properly be done unless adequate training facilities are made available, at some cost to the principals.

We know that clients are often extremely reluctant to agree to increases in accountancy charges, particularly since trade has been suffering from the recent depression. Nevertheless, if the practising side of the profession is to continue to give the service to its clients and articled clerks which is incumbent upon it, some substantial upward revision is clearly overdue.

I submit, Sir, that the lead should come from the Council of the Institute. The last pronouncement of which I am aware on the subject was the agreement on a revised Treasury scale of professional fees on Government work issued in March 1957.

I think the time is now ripe for the Council to publish an up-to-date recommendation to members, of scales of general charging rates. *This recommendation should be advertised widely in the National Press.*

I have read the report of the President's speech at the annual dinner of The Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants, wherein he refers to the effect of rising costs on practising accountants, but apparently his only conclusion was to suggest that we ask our clients to increase our fees.

I think, Sir, that that is not enough. We must have a lead from the Council to indicate the authoritative voice of the Institute if the whole profession is not to suffer, and the matter is now one of urgency.

Yours faithfully,
London, W1. E. MISKIN, F.C.A.

Balancing Charges: Smithfield

SIR, – The point about balancing charges relating to tenants in Smithfield Market raised by your correspondent (November 8th issue) has been put to the Inspector who is probably dealing with the majority of the cases concerned, but he is not receptive of the idea of a concession.

As that idea would appear to be best advanced by joint action on behalf of all concerned, the matter has been referred to the Smithfield Market Tenants' Association, which recently issued a circular to all its members.

Yours faithfully,
London, EC2. C. COUCHMAN, F.C.A.

Depreciation and Replacement Cost

SIR, – Sir William Carrington, in his paper presented at the autumn meeting of The Institute of Chartered Accountants in England and Wales (October 25th and November 1st issues), criticizes the argument that depreciation allowances should be based on current replacement instead of historical costs on two grounds.

First, Sir William says:

> 'Although there may be something to be said for this argument *as a matter of abstract economic theory*, once the historical cost basis is departed from, complications can be endless.' (Italics added.)

Although it would be difficult to construct the series of price indices which would be required, it would not be impossible. But what I object to in this sentence of Sir William's is the italicized words. Too often it is argued erroneously that something may be all right in theory, but not in practice. If the theory does not work in practice, it is bad theory. In fact there is nothing abstract in the replacement cost argument. Economists first put forward this argument on the very practical grounds that profits arrived at after deducting depreciation based on historical costs were overstated in times of rising prices. Consequently, the amount set aside to replace assets would be insufficient, and business men would get an over-optimistic picture of the true economic position of their firms, which would tend to intensify the inflationary pressure. The converse is true during a depression.

Second, Sir William argues that basing depreciation on replacement costs would be inequitable as between holders of fixed interest and equity capital used in business. This may be so, but it should be pointed out that, while holders of equity capital would gain, holders of fixed interest and preference capital would not lose anything, and the obverse is true in times of falling prices.

It is also necessary to distinguish between the arguments in favour of replacement cost accounting as such and the further argument that the amount of depreciation allowed *for income tax purposes* should be based on replacement cost values. Regardless of what the income tax law is, the wise firm will make some allowance for the rise in the prices of its assets. It may not go to the length of recasting its balance sheet and profit and loss account using current replacement costs, but it will make some allowance for rising prices.

Sir William takes far too narrow a view of this question. It should be considered in the much wider aspect of the general economic interest of the country. Looking at it this way, replacement costing can be justified on the grounds that income tax depreciation allowances based on historical costs tend to intensify both inflation and deflation.

Finally, Sir William is not consistent in his arguments. Having argued against income tax depreciation based on replacement costs, he goes on to say:

> '. . . the system of initial and investment allowances has in fact done a great deal to minimize the adverse effects of inflation on the power of industry to maintain and develop its productive capacity'.

This was true as regards the investment allowance, but there is no investment allowance now. It is not and never can be true as regards the initial allowance. Moreover, neither allowance was designed to counteract the adverse effects of inflation, but to stimulate new investment.

Yours faithfully,
Cheltenham, Glos. C. M. F. BRUCE.

'Statistical Sampling in Accountancy'

SIR, – I have read with great interest the article by Mr H. C. Mackenzie, M.A., on 'Statistical Sampling in Accountancy', published in your editions of October 25th and November 1st. Any attempt to provide the accountant with a technical aid in this aspect of this activity is most welcome. But I cannot help wondering whether the problem can be stated in such simple terms.

The first suggestions of a statistical approach to sample selection were made, as far as I know, by Lewis Carman in an article published in the *American Accountant* in December 1933. He sought only the mathematical determination of the relative degree of probabilities of discovering one out of a specific number of fraudulent or false items included in a larger group, by examining samples of various sizes. This has been developed to the point where it is suggested that sequential analysis can be utilized to determine the mathematical probability of the existence of errors or irregularities in a body of items. But much research is still necessary before the variables with which an accountant or an auditor works (both in respect of criteria and objectives) can be conveniently expressed by means of formulae, nor is the subject-matter so homogeneous that such research can be lightly undertaken.

To deal with the examples cited by Mr Mackenzie, the first of these appears to be a question of the arithmetical checking of purchase invoices being received at a rate of 1,200 weekly. The problem does not state whether the weekly rate fluctuates between, say, 800 and 1,600 or 500 and 3,000 – very important information for an accountant to have. Nor does the problem state how many stock code numbers may be affected, or how the stock accounts are kept, or how purchasing is carried out, or any number of other highly relevant facts. The reason why purchase invoices are checked is not only because failure to check may lead to financial loss through over-payment or fraud. It is part of a complex of operations whereby the purchasing, producing, financing, storekeeping and even selling operations are carried out. Different types of error or irregularity can have vastly different effects.

Nor does the fact that an invoice is not checked arithmetically mean that an arithmetical error it contains will go undiscovered. The majority of errors are eventually adjusted even where they are undetected by the accounting department. Either the purchasing office will spot them, or the supplier himself will point them out at a later date. It may well be preferable to incur the calculable cost of checking rather than risk the incalculable cost which will arise when errors are discovered after the invoice has been processed, which may involve investigation and adjustment by highly paid employees.

Basically, of course, the whole problem is non-existent. If the chief accountant of Mr Mackenzie's 'M.C.W. Company' is carrying out his work economically, he will have mechanized the purchase accounting records, and the various checks will be carried out by machines, at no extra cost, incidentally to the recording operations. If he has not reached this stage, then it is hardly likely that he can be persuaded to adopt a statistical sampling scheme.

When we regard the problem from the point of view of the external auditor, however, the case for some satisfactory technique in order to provide him with the requisite measure of assurance at the cheapest cost is very strong. On the other hand, the external auditor works with even more variables in his mind than the chief accountant has to face. He is making decisions at each step, and the difficulty of developing formulae for his assistance is immense.

For example, when we examine the stocktaking problem of the 'Alpha-Beta Company Ltd', mentioned in the article, we encounter a typical situation in which an auditor must rely on sampling of some sort. But the choice of every *n*th sheet for valuation where the unit value was less than £5 may not strike everyone as being completely happy. The purpose of a stocktaking is to arrive at an accurate figure of consumption of goods purchased, and the governing factor in determining which stocks to value should therefore be frequency of turnover rather than unit value. For example, an item which cost £5 per unit, and where only one purchase took place during the period, presents no valuation problem, whereas an item which was purchased 100 times in quantities of thousands at a time, at prices varying from 6*d* per unit to 9*d* per unit, is of crucial importance.

The point which I am trying to make, and which, in fairness to Mr Mackenzie, I must point out as being implicit in his explanations, is that each sampling formula must be evolved as a result of considering a number of variable criteria, objectives and subjects encountered in the particular circumstances. How this is to be done, we must leave to the statisticians to find out, but they must be fair with us and with themselves, and not announce results until they have something positive to show.

Yours truly,
KENNETH S. MOST.
University of Manchester.

P.A.Y.E. and National Insurance

SIR, – I should be interested to know if there would be support for a campaign aimed at combining the processes of P.A.Y.E. and National Insurance deductions. The fact that for almost every salary or wages payment made, there are two deductions to be made on behalf of Government departments has often irritated me. The P.A.Y.E. system in its present form works reasonably well from both employers' and employees' points of view; the National Insurance system appears to me to be a relic of the past, and can surely have changed little since 1911. Even when franking machines are used the 'reconciliation statements' necessary to explain stamps left over due to cards absent at National Insurance offices, previous employees, etc. can be quite troublesome.

I have often reflected that one would imagine that it would be possible to produce tables which could deal with both deductions in one entry. I was very interested to learn that in 1948 such a set of tables was produced but the Government department concerned refused to adopt the idea.

The recently issued White Paper setting out the Government's proposals for graduated retirement pensions shows that employers who do not contract out will be involved in dual deductions: the minimum and the graduated for each employee (not to mention dual employers' contributions). There is no reason why the P.A.Y.E. system of tables and code numbers could not be suitably modified to account for the National Insurance contribution. It would become necessary for each employed person to receive a final assessment after the end of each fiscal year to analyse the total deductions, and provide for any over- or underpayment, but the additional work in tax district offices would be easily offset by the saving in work for National Insurance offices, post offices, and for the long-suffering employers.

Yours faithfully,
Croydon, Surrey. B. M. GOSDEN.

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Edinburgh 30212

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, November 5th, 1958, at the Hall of the Institute, Moorgate Place, London, EC2, there were present:

Mr W. L. Barrows, President, in the chair; Mr C. U. Peat, M.C., Vice-President; Messrs H. Garton Ash, O.B.E., M.C., E. Baldry, O.B.E., C. P. Barrowcliff, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., J. Blakey, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, J. Clayton, C. Croxton-Smith, W. G. Densem, S. Dixon, W. W. Fea, J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, J. S. Heaton, D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C., Messrs P. D. Irons, H. O. Johnson, W. H. Lawson, C.B.E., H. L. Layton, R. McNeil, J. H. Mann, M.B.E., Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, P. V. Roberts, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs F. G. Saunders K. G. Shuttleworth, C. M. Strachan, O.B.E., J. E. Talbot, E. D. Taylor, A. D. Walker, V. Walton, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, R. P. Winter, C.B.E., M.C., T.D., with the Secretary and Assistant Secretaries.

Exemption from the Preliminary Examination

Three applications under bye-law 79 for exemption from the Preliminary examination were acceded to.

Exemption from the Intermediate Examination

(*a*) Thirty-nine applications under bye-law 85 (*a*) for exemption from the Intermediate examination were acceded to.

(*b*) One application under bye-law 85 (*b*) for exemption from the Intermediate examination was acceded to and one application was not acceded to.

Reduction in Period of Service under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Autumn Meeting 1958

Copies of the papers presented at the autumn meeting held in London in October 1958, by Sir William Carrington, F.C.A., on 'The progress of tax reform'; by Mr H. A. Benson, C.B.E., F.C.A., on 'The future role of the accountant in practice'; and by Mr W. W. Fea, B.A., A.C.A., on 'The future role of the accountant in industry' may be obtained by members and others on application to the Secretary of the Institute on payment of the sum of 2*s* 6*d* post free for each paper.

The President reported that he had sent letters of appreciation to the London and District Society of Chartered Accountants and to all those who had given their services in connection with the autumn meeting held in London in October 1958.

Autumn Meeting 1959

The Council is pleased to announce that it has accepted the invitation of the Manchester Society of Chartered Accountants to hold an autumn meeting in Blackpool from October 15th–17th, 1959. Further details in connection with the meeting will be announced later.

Members' Handbook

The new *Members' Handbook*, referred to in paragraphs 35 to 38 of the last annual report, was distributed to members during October 1958. Further sections of the handbook will be issued as soon as the work on them has been completed.

Royal Charters and Bye-laws

A complete and up-to-date edition of the Royal Charters and Bye-laws has been issued to members as part of the new *Members' Handbook* referred to above. The Royal Charters and Bye-laws (in the same form as in the handbook but in a paper cover) may be purchased as a separate publication, price 5*s* (including postage, except airmail). Orders should be sent to Moorgate Place, London, EC2, *and must be accompanied by the appropriate remittance.* Orders should not be submitted before November 30th, 1958.

Accounting Research

Accounting Research ceased as a separate publication with the October 1958 issue and will be incorporated with *Accountancy*, the monthly journal of The Institute.

Recommendations on Accounting Principles

The Council has revised its series of Recommendations on Accounting Principles by the withdrawal of certain recommendations which were obsolete and the issue of two new recommendations which replace some of the recommendations previously issued. The two new recommendations are: No. 18 Presentation of Balance Sheet and Profit and Loss Account and No. 19 Treatment of Income Tax in Accounts of Companies. The current recommendations up to No. 19 have been issued to members as a section of the new *Members' Handbook* referred to elsewhere in this report.

The Council has also approved a further new recommendation, No. 20 Treatment of Investments in the Balance Sheets of Trading Companies. This will be distributed to members on November 13th, 1958, in the form of additional pages for insertion in the appropriate section of the handbook. It will be accompanied by a detailed index covering the contents of the current recommendations up to No. 20.

The new recommendations 18, 19 and 20 have been settled by the Council on the report of the Parliamentary and Law Committee following consideration of memoranda submitted by the Taxation and Research Committee.

The complete series of current recommendations on Accounting Principles up to No. 20 (in the same form as in the handbook but in a paper cover) may be purchased as a separate publication, price 10*s* (including postage, except airmail). Orders should be sent to Moorgate Place, London, EC2, *and must be accompanied by the appropriate remittance.* Orders should not be submitted before November 30th, 1958.

Section 16, Finance Act, 1958

It was reported to the Council that the Commissioners of Inland Revenue had approved the Institute for the purpose of Section 16, Finance Act, 1958, and that the whole of the annual subscription paid by a member who qualifies for relief under that section will be allowable as a deduction from his emoluments assessable to income tax under Schedule E. The Inland Revenue letter conveying this approval was published in the October issue of *Accountancy*.

Registration of Articled Clerks and Bye-law Candidates of the Society of Incorporated Accountants

Registration has been completed in respect of 5,776 former articled clerks and bye-law candidates of The Society of Incorporated Accountants. Applications in hand which have not yet been completed for registration total 147, including those relating to students at present engaged on national service.

Bye-law candidates whose service with a chartered or incorporated accountant practising in England and Wales has been interrupted by any period or periods of employment spent in any other manner are invited to communicate with the Secretary of the Institute.

Eligibility for the Final Examination of the Institute – Articled Clerks and Bye-law Candidates of the Society of Incorporated Accountants

(1) The examination regulations of The Society of Incorporated Accountants regulated eligibility for the Final examination by reference to having passed or obtained exemption from the Intermediate examination and the completion of a certain period of practical experience as an articled clerk or bye-law candidate. No minimum interval was prescribed between passing the Intermediate examination and first taking the Final examination.

(2) Former articled clerks of the Society and bye-law candidates who elect, or are required under the scheme of integration, to present themselves for the Final examination of the Institute must do so in accordance with the provisions of the Royal Charter and bye-laws, namely:

(*a*) that in no circumstances can the Final examination be taken earlier than within the last three months of service;

(*b*) that, in normal circumstances, two years must have elapsed since passing the Intermediate examination (one year for those serving for not more than three years).

(3) Under bye-law 86 (*a*), the Council may, on application, reduce the interval referred to in 2 (*b*) above so as to allow a candidate to sit for the Final examination at any time *after the completion of his service.*

(4) In authorizing the publication of this statement the Council wishes to make it clear that:

(*a*) each application will be considered on its merits;

(*b*) a candidate is required to apply for the exercise of the Council's discretion at least six months prior to the examination for which he wishes to sit.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Arkcoll, Gerald Frederick; A.C.A., 1958; (S. 1953); (H. T. Salmon & Co), 133 Aldersgate Street, London, EC1.

Barnes, Philip Michael; A.C.A., 1957; (A. W. Wheeler & Co), 9 Colehill, Tamworth, Staffs.

Bennett, Donald, B.SC.(ECON.); A.C.A., 1956; 2 Odeon Parade, Rickmansworth, Herts.

Best, John Douglas; A.C.A., 1958; (D. P. Newell, Wright & Co), Worcester Cross Chambers, Oxford Street, Kidderminster.

Birnbaum, Raymond; A.C.A., 1958; (Birns & Co), 7 Darenth Road, Stamford Hill, London, N16.

Bishop, Raymond Clifford; A.C.A., 1958; (S. 1950); (Thomas May & Co), Allen House, Newarke Street, Leicester.

Borrett, John Egbert; A.C.A., 1952; (Morley, Millson & Co), 3 Great James Street, London, WC1.

Boyd, Ian Maclean; A.C.A., 1958; (Portlock & Co), 8 Staple Inn, Holborn, London, WC1.

Carver, Bruce Kinnaird; A.C.A., 1953; 134 Oak Avenue, Shirley, Croydon, Surrey.

Clissold, Albert Joseph; A.C.A., 1958; (S. 1952); 295 Tudor Drive, Kingston upon Thames, Surrey.

Collins, Sydney; A.C.A., 1958; 52 Ecclesall Road South, Sheffield, 11.

Dagnell, Michael Peter; A.C.A., 1955; (de Paula, Turner, Lake & Co), 17 Coleman Street, London, EC2.

Davies, Kenneth Henry; A.C.A., 1958; (Chick, Davies & Mathias), 36 Windsor Place, Cardiff, and at Pontypridd.

Dorton, Ronald Herbert; A.C.A., 1958; 52 Lavender Avenue, Kingsbury, London, NW9.

Downing, Eric Edward; A.C.A., 1954; (Downing, Gordon & Co), 22 Ryder Street, St James's, London, SW1.

Evans, Eric; A.C.A., 1947; 50 Vine Street, Kersal, Salford, 7, Lancs.

Ferguson, Norman James; A.C.A., 1957; 20 Wellmeadow Road, Boston Manor, London, W7.

Fine, Jeffrey Joseph; A.C.A., 1958; (Jeffrey Fine & Co), 16 Park Close, Finchley Park, London, N12.

Foston, Peter Wilfred; A.C.A., 1958; (S. 1948); (Addison & Co), Century House, Bold Lane, Derby, and at Barnard Castle.

Franklin, Irvin Howerd; A.C.A., 1958; 29, Buller Road, Tottenham, London, N17.

§Girling, Norman; (1958); A.S.A.A., 1956; (††A. J. Gould & Norman Girling), The Strand, Padstow, Cornwall.

Golby, (Mrs) Pamela Lennox; A.C.A., 1951; (†Booth, Anderson & Co), Bank Chambers, 1 Bridge Street, Newbury, Berks.

Gwyther, Hugh; A.C.A., 1958; (B. Perseus Gwyther & Co), 21 Windsor Place, Cardiff.

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§ means 'incorporated accountant member'.

Firms not marked † or * are composed wholly of members of the Institute.

† against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

* against the name of a firm indicates that the firm is not wholly composed of members of one or the other of the three Institutes of chartered accountants in Great Britain and Ireland.

†† against the name of a firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or other of the three Institutes of chartered accountants in Great Britain and Ireland.

Hartley, Peter Kendrick; A.C.A., 1958; (S. 1956); (*Leuty & Waite), 645 Roundhay Road, Oakwood, Leeds, 8.

Hunt, John Marshall; A.C.A., 1958; (S. 1953); (J. Nicholson & Co), 340 High Street, Lincoln.

Jarvis, Dudley Reginald; A.C.A., 1958; (Dudley R. Jarvis & Co), 230 Strand, London, WC2.

Knott, Michael Henry; A.C.A., 1958; (Whitmarsh, Sterland & Co), High Street Chambers, St Neots, Hunts, and at Cambridge.

Krause, David Michael; A.C.A., 1958; (S. 1955); (*Colefax, Head & Co), Refuge Buildings, 9 Sunbridge Road, Bradford, 1.

Laverack, John Arthur; A.C.A., 1958; (S. 1953); (J. Nicholson & Co), 340 High Street, Lincoln.

McDermott, Patrick Duffield, B.A.; F.C.A., 1953; A.C.A., 1938; (Lewis, Shaw & Co), Fulwood House, Fulwood Place, High Holborn, London, WC1.

Maliney, Mark Basil; A.C.A., 1958; 9 Mansfield Street, London, W1.

Martin, Julius Bernard; A.C.A., 1932; (Cooper Brothers & Co) and (Coopers & Lybrand), 10 James Street, Liverpool, 2, and at Birmingham, Leicester, London, Manchester and Sheffield.

Mathias, Ronald James; A.C.A., 1958; (S. 1956); (Chick, Davies & Mathias), 36 Windsor Place, Cardiff, and at Pontypridd.

More, Alexander Victor John; A.C.A., 1953; (Cooper Brothers & Co) and (Coopers & Lybrand), Midland Bank Building, Spring Gardens, Manchester, 2, and at Birmingham, Leicester, Liverpool, London and Sheffield.

Naylor, Derek Arthur; A.C.A., 1955; (A. W. Wheeler & Co), 9 Colehill, Tamworth, Staffs.

Noble, Francis Alexander; A.C.A., 1958; (Wilson, de Zouche & Mackenzie), 468 India Buildings, Water Street, Liverpool, 2, and at London.

Price, Richard Newman; F.C.A., 1958; (S. 1934, f. 1946); (Cole, Dickin & Hills), 18 Essex Street, Strand, London, WC2.

Robertson, William Ernest; A.C.A., 1958; (S. 1928); 3, Chichester House, Chichester Rents, Chancery Lane, London, WC2.

Rogerson, Sydney; A.C.A., 1953; (Arthur Scott, Taylor & Co) and (*Arthur Scott, Roberts, Taylor & Co), 1 Corporation Street, Hyde, Cheshire.

Sage, Neville George; A.C.A., 1958; (Bright, Grahame, Murray & Co), 61 Portland Place, London, W1.

Seddon, John Arthur Frank; A.C.A., 1931; 27 Fyfield Road, Enfield, Middlesex.

Sharp, Richard; A.C.A., 1948; 25 Walkden Avenue East, Wigan.

Sinden, Aubrey Maurice; A.C.A., 1958; (Raymond Wells, Osborne & Co), Lloyds Bank Chambers, East Grinstead, Sussex.

Spofforth, Jeremy David; A.C.A., 1958; (Stanley A. Spofforth & Co), Clifford's Inn, Fleet Street, London, EC4; also at Worthing (Arthur Tubbs & Spofforth).

Symons, Royston; A.C.A., 1958; (S. 1953); (Rowland Jenkins & Co), 71 Bridge Street, Newport, Mon.

Taylor, John Maurice; A.C.A., 1952; (M. E. Taylor & Co), Midland Bank Chambers, Market Place, Peterborough.

Thomas, Peter Austin; A.C.A., 1949; (P. A. Thomas & Co), West Halkin House, West Halkin Street, Belgrave Square, London, SW1.

Tinker, Walter William Joseph; A.C.A., 1958; (S. 1938); (Oakley, Wederell, Crouch & Co), Devereux Buildings, Devereux Court, Strand, London, WC2.

Walker, Roderick Hughes; A.C.A., 1957; (W. L. Jackson & Hesketh), 41 North John Street, Liverpool, 2, and at Hanley (Stoke-on-Trent) and Tunstall.

Wells, Allan Anthony; A.C.A., 1958; (Anthony, Wells & Co), 1 Chedworth House, Geldeston Road, Upper Clapton, London, E5.

Williams, Edward Moulsdale Ray; A.C.A., 1958; (S. 1954); (Yaxley, Davies, Williams & Co), 45 King Street, Wrexham.

Election to Fellowship

The following were elected to Fellowship:

Aldrich, Philip Aubrey; A.C.A., 1948; (Wilson, Davis & Co), 2 Norfolk Street, Strand, London, WC2.

Barker, John Sowerby Gartside; A.C.A., 1949; (F. Hunter, Gregory & Lord), Irwell Terrace, Bacup, Lancs; also at Manchester (F. Hunter, Gregory & Lord) and (Bowman, Dawes & Co).

Bird, John Leslie; A.C.A., 1951; (Bird & Partners), 36 High Street, Brentwood, Essex, and at London.

Bunting, Charles; A.C.A., 1958; (S. 1929); with Bryce, Hanmer & Co, 1/3 Stanley Street, Liverpool, 1.

Carr, Kenneth Edmund; A.C.A., 1958; (S. 1951); (Edmund Carr & Co), Bank Chambers, New Street, Chelmsford.

Courtney, Douglas James; A.C.A., 1951; (William Price & Co), 1 St Paul's Road, Bristol, 8.

Dick, George William; A.C.A., 1952; 23 Hemsley Road, South Shields, Co. Durham.

Durnin, John Charles; A.C.A., 1951; (Clark, Battams & Co), 32 Victoria Street, Westminster, London, SW1.

Fenton, Lawrence Stanley; A.C.A., 1952; (Lawrence S. Fenton & Co), 15/16 Nassau Street, London, W1, and at Stanmore.

Gallaway, Richard James Rodier; A.C.A., 1937; (Smith, Weir & Turner), 16 Oxford Street, Manchester, 1, and at Rochdale.

Germing, William Joseph; A.C.A., 1949; (John M. Winter & Sons), 39 St James's Street, London, SW1.

Glendinning, Robert Stanley; A.C.A., 1948; (Richards, Russam & Co), Manor Buildings, 2 Manor Row, Bradford, 1.

Guy, John Laister; A.C.A., 1950; (Littlejohn, Wilson, McKnight & Co) and (James E. Ward & Sons), 15 Cullum Street, Fenchurch Street, London, EC3, and 18 Gower Street, London, WC1.

Hall, Frank Stanley; A.C.A., 1947; (Hall & Co), 26 Wicker, Sheffield, 3; also at 18 Campo Lane, Sheffield, 1, (*Douglas Kay & Co) and (Hall & Co).

Hodge, (Miss) Margaret Ada Tomsett, B.A.; A.C.A., 1952; (Tomsett Hodge & Co), 15 Ramillies Avenue, Cheadle Hulme, Cheshire.

Kachel, Edwin Paul; A.C.A., 1958; (S. 1936); (E. C. Barber & Co), Ibex House, Minories, London, EC3.

Keyworth, Raymond Dennis; A.C.A., 1952; (Francis S. Clark & Co), 67A Queen Street, Newton Abbot, Devon, and at Exeter and Teignmouth.

Kirk, Ronald; A.C.A., 1953; (Hodgson, Harris & Co), Bank Chambers, Parliament Street, Hull; (for other towns see Hodgson, Harris & Co).

Knowlson, Albert Denton; A.C.A., 1958; (S. 1949); (Thomas Eaves & Co), 140 The Albany, Old Hall Street, Liverpool, 3.

Lever, Stuart Mordecai, M.A.; A.C.A., 1953; (Lever Bros. & Co), Candlewick House, 116/126 Cannon Street, London, EC4.

Marks, Lawrence; A.C.A., 1953; (Lever, Lawrence & Co), 90/91 High Holborn, London, WC1.

Morison, Walter McDonald; A.C.A., 1949; (Morison, Rutherford & Co), 20 Eastcheap, London, EC3.

Pickup, Clifford Roy; A.C.A., 1921; (F. Hunter, Gregory & Lord), Irwell Terrace, Bacup, Lancs, and at Manchester.

Scott, George Hampshire; A.C.A., 1958; (S. 1926); (Scott, Firth & Shaw), Victoria Buildings, 12 Park Cross Street, Leeds, 1, and at Selby.

Soan, Humphrey; A.C.A., 1958; (S. 1949); (Clench, Hewitt & Co), 10 Norfolk Street, London, WC2.

Stephenson, Charles Rowland; A.C.A., 1934; (C. R. Stephenson) and (Lever, Honeyman & Co), 9 Basinghall Street, London, EC2; also at Reigate (C. R. Stephenson).

Welsford, Peter Anthony; A.C.A., 1952; (Welsford & Co), 9 Union Court, London, EC2.

White, Montague Lawrence; A.C.A., 1950; 3 Wyndham Place, London, W1.

Wright, Stanley; A.C.A., 1951; (Henry Taylor & Co), Victoria Buildings, Victoria Square, Cleveleys, Blackpool.

Young, Frank Sidney; A.C.A., 1949; (Young & Co) and (Prevezer & Young), 5 Mansfield Street, Portland Place, London, W1.

Admission to Membership

The following were admitted to membership of the Institute:

Bassett, Oliver Michael John; A.C.A., 1958; Flat 4, 35 Mottingham Lane, Mottingham, London, SE9.
Bishop, Anthony David; A.C.A., 1958; with K. H. Lindsay, 7 Great Winchester Street, London, EC2.
Bowman, Keith Raymond; A.C.A., 1958; 41 Penda's Way, Crossgates, Leeds.
§Bryce, John Dundas; A.S.A.A., 1958; with Charles Hewitt & Co, 9th Floor, Aegis Buildings, Loveday Street, Johannesburg.
Butts, John Edward; A.C.A., 1958; with Dixon, Hopkinson & Co, Lancaster House, 67 Newhall Street, Birmingham, 3.
Cooper, Eric James; A.C.A., 1958; 174 Albion Road, Stoke Newington, London, N16.
Cowell, William James; A.C.A., 1958; 25 Christian Road, Douglas, Isle of Man.
Dingley, John Brian; A.C.A., 1958; 55 Letchworth Road, Western Park, Leicester.
Elphick, Michael Pelham; A.C.A., 1958; with Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.
Giles, David Ralph; A.C.A., 1958; 'Chimneys', Kingswood Road, Tadworth, Surrey.
Heywood, John Malcolm; A.C.A., 1958; with Derbyshire & Co, Hanover House, 73/78 High Holborn, London, WC1.
Holland, Brian Robert; A.C.A., 1958; 17 Park Road, Waterfoot, Rossendale, Lancs.
Johnson, Michael; A.C.A., 1958; 34 Bucklands Avenue, Ashton-on-Ribble, Preston.
Johnson, Oluseye Olufunmilayo, B.COM.; A.C.A., 1958; 75 Mount Pleasant, Liverpool, 3.
Lowe, John Graham; A.C.A., 1958; 33 Alfriston Avenue, North Harrow, Middlesex.
Lye, Raymond John; A.C.A., 1958; 'Hansford', High Street, Colnbrook, Slough.
Miller, John Allen; A.C.A., 1958; with Rawlinson & Hunter, 35 Clarges Street, London, W1.
§Morrison, Angus; A.S.A.A., 1958; with Whiteley Brothers, P.O. Box 2162, Johannesburg.
Pearce, Clive Seymour; A.C.A., 1958; with Walter Hunter, Bartlett, Thomas & Co, 24 Bridge Street, Newport, Mon.
Quinton, Bryan Paul; A.C.A., 1958; with Cooper Brothers & Co, 14 George Street, Mansion House, London, EC4.
Ryan, Herbert John; A.C.A., 1958; c/o Arthur Gait, Jones & Co, 2 Baneswell Road, Newport, Mon.
Sanders, Michael Dudley; A.C.A., 1958; 13 Mount Pleasant Road, Exeter, Devon.
Smith, Herbert Mark; A.C.A., 1958; 268 Wellington Road, North, Heaton Chapel, Stockport.
Smith, Sydney Mackenzie; A.C.A., 1958; 34 Syddall Avenue, Cheadle, Cheshire.
Stringer, George; A.C.A., 1958; 117 Rycot Road, Speke, Liverpool, 24.
Tomlin, David Alexander; A.C.A., 1958; with Kemp, Chatteris & Co, St Swithin's House, Walbrook, London, EC4.
Vesty, John Edwin; A.C.A., 1958; 205 Highfields Street, Coalville, Leicester.
Wedgbury, Robert; A.C.A., 1958; 10 Manor Road, Hanbury Park, Worcester.
Whitehead, Kenneth Herbert; A.C.A., 1958; 21 School Street, New Bradwell, Wolverton, Bucks.
Winter, Edward Mark; A.C.A., 1958; 60 Burnley Road, London, NW10.

Re-admission to Membership

Subject to payment of the amount required by the Council a former member of the Institute was re-admitted to membership under clause 23 of the supplemental Royal Charter.

It was reported to the Council that the following two re-admissions, made at the Council meeting on October 1st, 1958, subject to payment of the amounts required, had become effective:

Colleck, Philip, A.C.A., New York.
Hudson, Halmer, A.C.A., Kingston upon Thames.

Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as an associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

§Farrar, Robert Henry; (1958); A.S.A.A., 1955; with Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London, EC2.

Use of Letters F.S.A.A.

Applications from the following incorporated accountant members A.S.A.A. to use the letters F.S.A.A. under clause 4 (*b*) of the scheme of integration referred to in clause 34 of the supplemental Royal Charter were acceded to:

§Cooper, Framji Cawasji; (1958); A.S.A.A., 1932; Deputy Manager, The Central Bank of India Ltd, Mahatma Gandhi Road, Fort, Bombay, 1.
§Tibbenham, Aubrey William; (1958); A.S.A.A., 1948; Secretary, The South Staffordshire Waterworks Co, 50 Sheepcote Street, Birmingham, 15.

Admission to Membership under the Scheme of Integration

The Council acceded to applications from four members of The Society of Incorporated Accountants for admission to membership of the Institute pursuant to the scheme of integration referred to in clause 34 of the supplemental Royal Charter. All the new members have been notified. The total number of members now admitted under the scheme is 10,037.

Subject to payment of the amounts required by the Council, the Council also acceded to applications from four former members of The Society of Incorporated Accountants for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter. Two applications were refused.

Appointments to Committees

The Council made the following appointments to committees:

Mr S. Dixon, Finance Committee.
„ E. F. G. Whinney, P. D. Leake Committee.

Resignations

The Council accepted the resignation from membership of the Institute of:

Allen, Elliott Peter; A.C.A., 1958; (S. 1953); 2 Willow Way, Radlett, Herts.
Crabtree, Eric; A.C.A., 1955; St Mary's Priory, Storrington, Sussex.
Dible, David Roy; A.C.A., 1954; 6 Wolversdene Road, Andover, Hants.
Evens, Frederick William; A.C.A., 1906; 65 Linden Road, Bristol, 6.

Harwood, Paul Andrew; A.C.A., 1958; (S. 1951); 9 Prince's Road, Buckhurst Hill, Essex.

Maginess, Clifford William; F.C.A., 1937; High Park, Broadstone, Dorset.

Tuffin, Frank Stanley; A.C.A., 1921; with Deloitte, Plender, Griffiths & Co, 5 London Wall Buildings, Finsbury Circus, London, EC2.

Registration of Articles

The Secretary reported the registration of 412 articles of clerkship during last month, the total number since January 1st, 1958, being 2,048.

Change of Name

The Secretary reported that the following change of name had been made in the Institute's records:

Frost, Barbara to St John Frost, Barbara.

Admissions Void

The Secretary reported that the admission to membership of the following persons had become void under bye-law 41:

Lionel Max.
Mohammed Yusuf Pasha.
Robert William Peake.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Stanley William Cornwell, F.C.A., Bristol, a member of the Council from 1925 until 1956.
Mr Harold James Ardley, A.C.A., Sheringham.
,, Edwin Boden, F.C.A., Croydon.
,, John William Bromley, A.S.A.A., Castleford.
,, Francis Cecil Bramble, A.C.A., Banstead.
,, John Burgess, A.C.A., Woodbridge.
,, Gerald Austin Butler, A.C.A., Wolverhampton.
,, Leslie Douglas Clarke, F.C.A., Walthamstow.
,, Leonard Frankland, A.C.A., Ilford.
,, John William Grayston, M.C., M.A., A.C.A., Bradford.
,, John Guest, A.C.A., Oldham.
,, Herbert Charles Hobbins, F.C.A., London.
,, Charles Buckley Innes, A.C.A., London.
,, Vivian Stuart Lorraine Jordan, F.C.A., Newton Abbot.
,, Arthur Kellett, A.S.A.A., London.
,, Henry Millner Morris, F.C.A., Bath.
,, Ernest Luff-Smith, A.C.A., Highcliffe.
Sir Alexander Somerled Angus Bosville Macdonald of Sleat, Bt., M.C., B.A., J.P., A.C.A., Driffield.
Mr Leonard George Mansfield, F.C.A., London.
,, Albert Joseph Platt, A.C.A., Sheffield.
,, Ernest Marston Rudland, F.C.A., Ross-on-Wye.
,, Edward Henry Sheedy, F.S.A.A., Sydney.
,, Frederick Cecil Shrimpton, F.C.A., Malmesbury.
,, John Thomas Singleton, F.C.A., Nottingham.

Exclusion Expunged

At a hearing by the Disciplinary Committee on July 2nd, 1958, the committee decided that Mr Oliver Stephen Keeble be excluded from membership for non-payment of subscription. It has now been reported to the Council that notification has been received that Mr Keeble died in 1957 and accordingly the Council resolved that the exclusion of Mr Keeble be expunged.

MEMBERS' LIBRARY

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounting Trends and Techniques in published Corporate annual reports. (American Institute of Certified Public Accountants.) Twelfth edition. New York. 1958. (A.I.C.P.A., presented.)

Big Business and Human Values; by T. V. Houser. New York. 1957. (McGraw-Hill, presented by Sears, Roebuck & Co.)

Brief to Counsel; by H. Cecil. 1958. (Michael Joseph, 12s 6d.)

The City's Invisible Earnings: how London's financial skill . . . brings profit to Britain; by W. M. Clarke. 1958. (Institute of Economic Affairs, 7s 6d.)

The Conduct of Meetings; by G. H. Stanford. Toronto. 1958. (O.U.P., 12s 6d.)

The Economics of Real Property: an analysis of property values and patterns of use; by R. Turvey. 1957. (George Allen & Unwin, 16s.)

Effects of Mergers: six studies; by P. L. Cook and Ruth Cohen. 1958. (George Allen & Unwin, 42s.)

Electronics in Business: a case study in planning: Port of New York Authority; by H. F. Klingman. New York. 1956. (Controllership Foundation, 36s.)

Equipment and Methods for the Smaller office; by Laura Tatham. 1958. (Business Publications, 5s.)

Financial Problems of the Family Company; by A. R. English, A.C.A. 1958. (Sweet & Maxwell, 21s.)

A Guide to Auditing; by W. T. Dent, F.C.A. 1958. (Gee, 21s.)

Higher Management Control; by T. G. Rose and D. E. Farr. New York. 1957. (McGraw-Hill, 50s 6d.)

Income Tax Act Annotated . . . with amendments to 1958 . . .; by H. H. Stikeman. Toronto. 1958. (Richard De Boo, $6.)

Income Tax Law and Practice. Twenty-eighth edition by C. A. Newport and H. G. S. Plunkett. 1958. (Sweet & Maxwell, 30s.)

Internal Auditing; by V. Z. Brink and J. A. Cashin. Second edition. New York. 1958. (Ronald Press, 57s 6d.)

The Law and Practice of Company Accounting in New Zealand; by T. R. Johnston. Wellington. 1958. (Butterworth (Australia), presented by the author.)

Nationalization in Britain; by R. Kelf-Cohen. 1958. (Macmillan, 25s.)

Productivity and Economic Incentives; by J. P. Davison, P. S. Florence and others. 1958. (George Allen & Unwin, 35s.)

The Public Accounting Profession in California: report of the findings of a survey . . .; by A. B. Carson. Los Angeles. 1958. (University of California. Presented by the Bureau of Business and Economic Research.)

Purchase Tax; by A. T. Grieve. 1958. (Sweet & Maxwell, 25s.)

Records arithmetick: or The Ground of Arts; teaching the perfect work and practice of arithmetick . . .; by R. Record: enlarged edition; by John Mellis. 1658.

Reports of Restrictive Practices Cases . . . (Incorporated Council of Law Reporting). From Vol. 1, Part 1, October 1958.

The Structure of British Industry; ed. by D. Burn. Two volumes. 1958. (C.U.P., 95s.)

The Substance of the Income Tax Act, in a methodical arrangement of all its clauses; by S. Kyd. 1799.

Tax Problems of the Family Company; by M. Grundy. Second edition. 1958. (Sweet & Maxwell, 17s 6d.)

Uniform System of Accounts for Restaurants; by Horwath & Horwath. Third edition. Chicago. 1958. (National Restaurant Association, 35s.)

Work Study in the office; by H. P. Cemach, A.C.A. 1958. (Current Affairs, presented by the author, 25s.)

ANNUAL DINNER IN BRISTOL

Bristol and West of England Society of Chartered Accountants

The annual dinner of the Bristol and West of England Society of Chartered Accountants was held at *The Royal Hotel*, Bristol, on November 6th. Mr S. R. Perratt, F.C.A., President of the Society, was in the chair and among those present were Mr W. L. Barrows, LL.D., F.C.A., President of The Institute of Chartered Accountants in England and Wales; Alderman F. C. W. Chamberlain, J.P., Lord Mayor of Bristol; His Honour Judge H. Paton, J.P.; Mr R. F. Winkworth, F.R.C.S., Deputy Mayor of Taunton; and Mr D. T. Hicks, President, The Bristol Incorporated Law Society.

City's Prosperity

Judge Paton proposed the toast of 'The City and County of Bristol', and said that it was the first time he had had this honour during his eight years in the city.

'What impresses me at Bristol,' he stated, 'is its prosperity. I know it has had its ups and downs, but there is evidence of its past prosperity in its fine old buildings, and far too many are disappearing I think, in the cause of what some people call progress, to make way for glittering splendours of the new shopping centre, and other amenities.'

Judge Paton went on to comment on the housing situation, stating that a good deal of his 'business' was concerned with the housing shortage which was a legacy of the last war. 'I am very impressed,' he said, 'by the way Bristol has tackled its problems, and I very much doubt whether any city in the country has done so well.'

Responding to the toast, the Lord Mayor commended the city planners and added: 'We are an ancient city but you cannot very well build ancient buildings; you cannot put up second-hand buildings.'

Responding to the toast of 'The Institute of Chartered Accountants in England and Wales', proposed by Mr Winkworth, Mr Barrows said that at the present time the Institute was doing a great deal of research into the whole problem of training and education. He continued:

'The demand for boys and girls of a calibre suitable to become chartered accountants is far from satisfied and other employers are offering bait with which it is very difficult for our profession to compete. Much time and thought have been given at Moorgate Place to the problem of recruitment. A little has been accomplished but one of our greatest difficulties is to overcome the ignorance in the schools and universities of what we are and what we do. I hope that any of you that can, will become ambassadors of the profession with the younger generation, their parents and the schools.'

Important Task

He added that the special committee appointed by the Council under the chairmanship of Mr W. E. Parker had a great and important task and said that he had been interested to note that in the annual report of the American Institute of Certified Public Accountants a message from the President to all their members refers to steps which that Institute is taking in connection with education and training. In other words, this was an international problem.

Mr Perratt, in proposing the toast of 'Our Guests', paid a tribute to the late Mr S. W. Cornwell, who was a well-known figure in the profession in Bristol and the West Country. Mr Cornwell, who died a few weeks ago, was the senior partner of Curtis, Jenkins, Cornwell & Co, of Bristol, and had been a member of the Council of the Institute for over twenty years.

Mr Hicks responded to the toast.

THE ENEMY OF FINANCIAL HONESTY

South Eastern Society of Chartered Accountants' Dinner in Brighton

'The level of professional and business ethics has fallen because of the crushing burden of income tax, which is the greatest enemy of financial honesty,' declared His Honour Judge Alun Pugh at a dinner of the South Eastern Society of Chartered Accountants, held at *The Hotel Metropole*, Brighton, on November 7th.

He described the income tax burden as a test of the integrity of every professional and business man, and said that chartered accountants were looked on by the country as the guardians of business integrity. 'No profession, in the eyes of those of us who try to administer the law, stands higher than accountancy, and I don't know what this country would do without your profession,' he added.

Large Attendance

Mr A. G. J. Horton-Stephens, F.C.A., President of the Society, presided at the dinner which was attended by over three hundred members and guests. Among those present were Mr W. L. Barrows, LL.D., F.C.A., President of The Institute of Chartered Accountants in England and Wales; His Honour Judge Alun Pugh; Mr J. E. Humphrey, J.P.; and Mr B. P. Graves, F.R.I.C.S., F.A.I.

Responding to the toast of 'The Institute of Chartered Accountants in England and Wales and the Accountancy Profession', proposed by Judge Pugh, Mr Barrows referred to recruitment to the profession and said:

'If we are to maintain the position of the Institute we must have a continuous stream of boys and girls of the right calibre from schools such as Brighton College. I know that members of your society are doing good work in preaching the gospel of what we are and what we do, but any of you who are willing and have the opportunity of addressing school-leavers and schools on what a chartered accountant is and what he does is giving real service to the profession.'

Society's Wide Area

Speaking of the wide and scattered geographical area of the South Eastern Society, Mr Barrows said:

'Because of that fact and your absorption of two former

Incorporated District Societies, you are having two dinners this year and I am looking forward to visiting Bournemouth in the New Year. I know that your committees are most anxious to give real service to all your members and an opportunity to reciprocate hospitality and to meet our new members from the Society. The distant member and the distant student is a difficult problem and I congratulate you on the Students' Residential Course run by your Society last month, which I gather was attended by 163 students of whom approximately one-third were from the Brighton area, some thirty from Portsmouth, fourteen from Kent, twenty from Southampton, twenty from Bournemouth, eight from London and five from the Channel Islands. As a former chairman of the Articled Clerks Committee of the Council I welcome the development of these residential courses for articled clerks, and I believe they are the answer to many of our problems. They involve a great deal of organization, but it is well worth while.'

The toast of 'Our Guests' was proposed by Mr F. C. H. Edwardson, A.C.A., and Mr Humphrey responded.

The final toast, 'The South Eastern Society of Chartered Accountants', was proposed by Mr Graves. In reply, Mr Horton-Stephens spoke of the happy tradition that the President of the Institute, during his year of office, should be present at the annual dinners of the district societies. He also referred to the presence for the first time, as a result of integration, of Mr F. V. Arnold, senior Past President of the Sussex Society of Incorporated Accountants. Mr Horton-Stephens paid tribute to the officers responsible for organizing the dinner, among them Mr T. T. Nash, A.C.A., dinner secretary.

New Legislation

All new Acts are noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective. Copies of either may be obtained through Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

STATUTES

(6 & 7 Eliz. 2)

Chapter 53: Variation of Trusts Act, 1958

An Act to extend the jurisdiction of courts of law to vary trusts in the interests of beneficiaries and sanction dealings with trust property.

Price 4d net. *July 23rd, 1958.*

Chapter 54: Divorce (Insanity and Desertion) Act, 1958

An Act to amend the law as to the circumstances in which, for the purposes of proceedings for divorce in England or Scotland, a person is to be treated as having been continuously under care and treatment and as to the effect of insanity on desertion; and to enable a petition for divorce to be presented on the ground of desertion notwithstanding any separation agreement entered into before desertion became a ground for divorce in English law.

Price 3d net. *July 23rd, 1958.*

Chapter 55: Local Government Act, 1958

An Act to make further provision, as respects England and Wales, with respect to grants to local or police authorities, with respect to the rating of industrial and freight-transport hereditaments and of transport, electricity and gas authorities, with respect to the making of changes in the area, name, status and functions of local authorities, and with respect to local government finance and elections; to amend the law in England and Wales and in Northern Ireland as to the making by trustees of loans to local and other authorities; and for purposes connected with the matters aforesaid.

Price 5s net. *July 23rd, 1958.*

Chapter 56: Finance Act, 1958

An Act to grant certain duties, to alter other duties, and to amend the law relating to the National Debt, and the Public Revenue, and to make further provision in connection with Finance.

Price 3s 6d net. *August 1st, 1958.*

Chapter 57: Appropriation Act, 1958

An Act to apply a sum out of the Consolidated Fund to the service of the year ending on the thirty-first day of March, one thousand nine hundred and fifty-nine, and to appropriate the supplies granted in this Session of Parliament.

Price 3s net. *August 1st, 1958.*

STATUTORY INSTRUMENTS

The Purchase Tax (No. 2) Order, 1958

(S.I. 1958, No. 1495)

This Order brings into force a new list of drugs and medicines which are free of purchase tax. The list supersedes the existing list shown in the Purchase Tax (No. 1) Order, 1958.

The new list comprises all substances and preparations exempted under that Order, but certain substances formerly classified by reference to their chemical names are now entered according to the name approved by the British Pharmacopoeia Commission.

Price 6d net. *September 22nd, 1958.*

The Ulster and Colonial Savings Certificates (Income Tax Exemption) (Amendment) Regulations, 1958

(S.I. 1958 No. 1548)

These Regulations amend regulation 3 of the Ulster and Colonial Savings Certificates (Income Tax Exemption) Regulations, 1956, as amended. Their effect is to increase, by raising the limit on certificates issued on or after August 1st, 1956, from 600 units to 1,000 units, the maximum holding of Ulster, colonial and certain other savings certificates the interest on which is in certain circumstances exempt from income tax under Income Tax Act, 1952, Section 193.

Price 2d net. *September 18th, 1958.*

Notes and Notices

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

Members' Library

The second cumulative supplement to the 'Short List' of books has now been issued. Copies, which contain additions to September 1958, will be sent to members by the librarian, free and post free, on receipt of an addressed label. Copies of the last edition of the 'Short List', published in August 1957, are still available.

PERSONAL

Messrs Black, Geoghegan & Till, Chartered Accountants, of 67 Watling Street, London, EC4, announce that as from Monday, November 17th, their address will be Broad Street House, 54 Old Broad Street, London, EC2.

Messrs Maxtone Graham & Sime, Chartered Accountants, announce that as from Monday, November 17th, the address of their London office will be Broad Street House, 54 Old Broad Street, London, EC2.

Messrs Lithgow, Nelson & Co, Chartered Accountants, of Derby Square, Castle Street, Liverpool, 2, and London and Southport, announce that as from November 1st, 1958, Mr D. H. Jones, B.SC., A.C.A., has been admitted into partnership.

Messrs Robson, Morrow & Co, of 59 New Cavendish Street, London, W1, announce that Mr Harry Hodgson, F.C.A., F.C.W.A., will retire from the partnership as from December 1st, 1958, on taking up his appointment as comptroller of Fisons Ltd.

PROFESSIONAL NOTES

Mr Arthur Jolly, F.C.A., a partner in the firm of Nevill, Hovey, Gardner & Co, Chartered Accountants, of London and Hove, has been elected Master of the Worshipful Company of Curriers for the ensuing year.

Mr D. E. T. Tanfield, F.C.A., has been appointed a director of M. A. Boswell (Contractors) Ltd, and Mr L. Rush, A.C.A., has been appointed secretary of the company.

Mr J. D. Crane, A.C.A., has been appointed secretary of De Havilland Propellers Ltd.

Mr R. Treharne John, A.C.A., has been appointed financial comptroller of the St Aubyn Estates and will take up his duties in the new year.

Mr J. G. Vaughan, A.C.A., has been appointed a director of Barfos Ltd.

Mr C. G. Allott, A.C.A., deputy managing director of the United Molasses Co Ltd, has been appointed managing director.

Mr H. E. S. Bickerton, A.S.A.A., has been appointed County Treasurer of Middlesex. Mr Bickerton, who was formerly deputy county treasurer, succeeds the late Mr W. O. Atkinson, M.B.E., F.I.M.T.A.

Mr David M. Gimson, A.C.A., has retired from the chairmanship of Alfred Herbert Ltd, on account of his age, but is still remaining a director of the company.

PORTRAIT OF RONALD STAPLES

No doubt many readers who were acquainted with the late Ronald Staples, who was Editor-in-Chief of *The Accountant*, will be interested to know that shortly before his death in December last year, a most characteristic portrait was completed by Mr James Gunn, A.R.A., LL.D.

The portrait is among the collection shortly to be exhibited at the sixty-fifth annual exhibition of the Royal Society of Portrait Painters. Following a private view on Thursday, November 20th, the exhibition will be open daily from 10 a.m. to 5 p.m. until December 20th, at the Royal Institute Galleries, 195 Piccadilly, London, W1.

LONDON CHAIRMAN'S AUSTRALIAN TOUR

Mr Charles W. Aston, A.C.A., Chairman of the London and District Society of Chartered Accountants, who is at present on a business tour in Australia, was recently received in Sydney by Mr R. A. Irish, F.C.A.(AUST.), President of The Institute of Chartered Accountants in Australia. On Wednesday of last week, with Sir Richard Yeabsley, C.B.E., F.C.A., who is also on a visit to the Commonwealth, he was entertained at luncheon by the New South Wales State Council of the Institute, and he has also dined with members of the Queensland State Council in Brisbane.

Last Tuesday, Mr Aston was the guest of the Queensland President of The Australian Society of Accountants, and yesterday (Friday) he was entertained by the New South Wales Society.

After visiting Adelaide and Canberra during the coming fortnight, Mr Aston will meet members of the Victoria State Councils of both the Australian Institute and the Society in Melbourne on December 1st, before travelling on to Perth.

He departs from Fremantle for his homeward journey on December 5th.

OFFICE APPLIANCE AND BUSINESS EQUIPMENT TRADES ASSOCIATION

The annual meeting of the Office Appliance and Business Equipment Trades Association was held in the Connaught Rooms, London, WC2, on October 27th when Mr B. F. Levett (Powers-Samas Accounting Machines Ltd) was elected president for the coming year and Mr W. R. Hart (National Cash Register Co Ltd) was elected vice-president.

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LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

A lecture meeting to be held at *The Victoria Hotel*, Bradford, at 6.15 p.m. on Friday next, will be addressed by Mr H. G. Hodder, of the National Provincial Bank, on 'Considerations of a banker in granting overdraft facilities'. Members and articled clerks wishing to attend should notify Mr C. W. Allan, B.COM., F.C.A., 12 Piccadilly, Bradford, 1, by Thursday, November 20th.

Huddersfield Group

A luncheon meeting of the Huddersfield Group will be held next Thursday at Whiteley's Restaurant, Westgate, Huddersfield, at 12.30 p.m., when Mr J. T. Barraclough, A.C.A., A.C.W.A., will give an address on 'Some aspects of management accounting'. Tickets at 7*s* 6*d* from Mr D. B. Simpson, A.C.A., Messrs Simpson, Wood & Co. Bank Chambers, Market Street, Huddersfield, by Tuesday next, November 18th.

WOLVERHAMPTON CHARTERED ACCOUNTANTS' DINNER

The eighth annual dinner of the Wolverhampton Branch of the Birmingham and District Society of Chartered Accountants was held in Wolverhampton on October 29th, when the President of the Institute, Mr W. L. Barrows, LL.D., F.C.A., was the principal guest.

Responding to the joint toast of 'The Institute of Chartered Accountants in England and Wales and the Wolverhampton Branch of the Birmingham Society', proposed by the Recorder of Wolverhampton, Mr G. G. Baker, Q.C., Mr Barrows recalled that he had worked in close liaison with the legal profession; there was also much that accountants could learn from the lawyers. He continued:

> 'It is a great privilege for me to be present at this eighth annual dinner and dance of the Wolverhampton Branch, and Mrs Barrows is delighted to be with me, first because as some of you know I took a very active part in its formation and at your opening meeting I presented the book, which I hope is still used at lectures and other similar functions. Secondly it is over forty years since there was a President of the Institute from the Birmingham and District Society, which has such extremely strong branches in Coventry, Wolverhampton and Stoke-on-Trent.'

CERTIFIED ACCOUNTANTS' LUNCHEON MEETING

The first of the 1958–59 winter luncheon meetings of The Association of Certified & Corporate Accountants was held at *The Connaught Rooms*, London, WC2, on November 3rd, attended by 200 members and guests. Mr W. Jackson, F.A.C.C.A., President of the Association, acted as chairman and the guest speaker was Mr George Schwartz, B.A., B.SC.(ECON.), deputy city editor, *The Sunday Times*, who gave an amusing talk entitled 'By all accounts'.

ANNOTATED TAX CASES

Part 4 of Volume XXXVII of the *Annotated Tax Cases*, edited by Mr Roy Borneman, Q.C., is published today and contains reports, with notes on the judgments, of the following cases: *Venn v. Franks* (C.A.); *Bennett v. Rowse* (C.A.); *Hochstrasser v. Mayes, Jennings v. Kinder* (C.A.); *In re Lawton* (Ch.D.); *Lamport & Holt Line Ltd v. Langwell* (C.A.); *Sabine v. Lookers Ltd* (C.A.); *Wright v. Boyce* (C.A.).

The annual subscription to the *Annotated Tax Cases* is 30*s*, post free; the publishers are Gee & Co (Publishers) Ltd, 27–28 Basinghall Street, London, EC2.

IN PARLIAMENT

£ Sterling: Value

MR DE FREITAS asked the Chancellor of the Exchequer whether he is aware that, taking the internal purchasing value of the £ sterling at 20*s* in October 1951, it had declined to 18*s* 10*d* in September 1952, to 18*s* in September 1954, to 16*s* 5*d* in September 1956; and what was the comparable figure for September 1958.

MR ERROLL: Yes, 15*s* 6*d*.

Hansard, Nov. 3rd, 1958. Written Answers. Col. 15.

ORGANIZATION AND METHODS CONFERENCE

A one-day conference organized by the Central London Productivity Association will be held in the Council Chamber of The Federation of British Industries, 21 Tothill Street, London, SW1, on Tuesday, November 18th. The conference is designed to make more widely known the advantages accruing from the introduction of work study as applied to office administration and clerical procedures. The opening address will be given by the Rt. Hon. Lord Piercy, C.B.E. The programme will include 'The study of organization', by Mr N. A. Walker, of Urwick, Orr & Partners Ltd, and 'The study of methods', by Mr H. H. Longman, of Unilever Ltd.

Non-members of the Association may attend the conference on payment of a fee of 10*s*. Further details are obtainable from Mr J. F. Daly, National Provincial Bank Ltd, 61 Victoria Street, London, SW1.

MANAGEMENT SEMINARS

Management ratios, budgetary control, general management, executive development and method study are among the subjects to be discussed at twenty-five seminars which have been arranged by the British Institute of Management at nine centres throughout the country.

The seminars, which are of one or two days' duration, continue until April 1959. Each is designed to meet the wide variety of problems facing managers and to provide them with opportunities in which to consider and discuss the various aspects of management development.

Further details are obtainable from Mr John Miller, head of the seminar section, British Institute of Management, 80 Fetter Lane, London, EC4.

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THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday, Visit to Fords Motor Works (limited number). *5.30 p.m.* at Caxton Hall, Victoria Street, SW1: Lecture on 'Is polling respectable?' by Dr H. Durant, PH.D. (Director, Gallup Poll.) Chairman: Mr E. Kenneth Wright, M.A., F.C.A., vice-president of the students' society.

Tuesday, Joint debate with the Midland Bank Debating Society on 'That perks are pernicious'.

Thursday, 5.15 p.m. at Incorporated Accountants' Hall: Introductory course lecture on: 'Bankruptcy, liquidation and receivership', by Mr A. C. Staples.

Friday, 5.15 p.m. at Incorporated Accountants' Hall: Introductory course lectures on (1) 'Taxable income', by Mr J. Kennedy Melling, A.C.A., A.T.I.I., F.R.ECON.S., and (2) 'The law of agreements and damages', by Mr A. C. Staples.

OXFORD CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The next meeting of the 1958–59 session of the Oxford Chartered Accountant Students' Society will be held on November 19th, when Mr J. M. S. Risk, PH.D., C.A., F.C.W.A., will speak on 'The framework of accountancy'. Other meetings have been arranged as follows:

December 16th: 'Incomplete records', by Mr K. S. Carmichael, A.C.A.

January 21st, 1959: 'Company law', by Mr O. Griffiths, M.A., LL.B.

February 18th: 'Tax brains trust', by Mr B. W. Higgs, Chief Inspector of Taxes, Oxford.

March 24th: 'Mercantile law', by Mr S. A. Maurice, LL.B., followed by the annual general meeting.

All these meetings will be held at the Kemp Restaurant, Broad Street, Oxford, and will commence at 6.30 p.m. preceded by tea at 6.10 p.m. The Society's annual dance will be held on Friday, January 16th, at the Forum.

BRITISH INVESTMENT CLUB MOVEMENT

The recently published first bulletin of the National Association of Investment Clubs, which was founded last June, states that in the space of a comparatively few months, a considerable number of prospective investment clubs have been provided with advice on organization and procedure.[1]

The objects of the National Association are to co-ordinate the activities of the movement for the best interests of affiliated investment clubs, and to act as a central advisory centre to assist individual clubs on problems that arise from time to time. The bulletin for member clubs is designed to keep them informed of all developments in the movement, to deal with detailed matters of interest to clubs and to publish views of and correspondence from members.

INCORPORATED ACCOUNTANTS' LODGE

The installation meeting of The Incorporated Accountants' Lodge was held on October 28th at Freemasons' Hall, Great Queen Street, London, WC2, when W. Bro. G. J. Hakim installed his successor, Bro. F. R. Marshall, as *W.M.*

W. Bro. F. R. Marshall invested the following officers: Bro. A. Armitt, *S.W.*; Bro. F. A. Roberts, *J.W.*; W. Bro. W. J. Crafter, *Treasurer*; W. Bro. A. S. Darr, *Secretary*; W. Bro. E. J. P. Garratt, *D.C.*; Bro. J. W. Pirie, *S.D.*; Bro. E. A. Woods, *J.D.*; W. Bro. A. V. Hussey, *A.D.C.*; W. Bro. A. A. Garrett, *Almoner*; Bro. L. J. D. Jones, *I.G.*; Bro. E. J. Morris, W. Bro. H. Rose, W. Bro. E. Downward and Bro. A. B. Sturgess, *Stewards*; W. Bro. A. C. Chitty, *Tyler*.

A large number of guests were present including the Worshipful Master of the Chartered Accountants' Lodge and the Worshipful Master of the Sempers Vigilans Lodge.

The address of the secretary of the Lodge is 5 Forest Close, Snaresbrook, London, E11.

CHARTERED INSTITUTE OF SECRETARIES

Mr John Davison, F.C.I.S., managing director of the De Havilland Aircraft Company of South Africa (Pty.) Ltd, has been elected President of The Chartered Institute of Secretaries for 1959. The largest branch of the Institute is in South Africa and Mr Davison is the first overseas member to be elected President.

Annual Conference

The Institute's annual conference next year is to be held in London from June 11th to 13th. The conference will include three business sessions, a reception in Grocers' Hall, a ball at Grosvenor House, and a conference dinner in the Connaught Rooms.

SCHEDULE E: PROFESSIONAL SUBSCRIPTIONS

The approval of the Commissioners of Inland Revenue has been received by The Chartered Institute of Secretaries for the whole of the annual subscriptions paid by members who qualify for relief under Section 16 of the Finance Act, 1958, to be allowed as a deduction from their emoluments assessable to income tax under Schedule E.

Similar approval has been granted to The Corporation of Secretaries and The Association of International Accountants.

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[1] An article on investment clubs appeared in *The Accountant* of August 23rd.

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The New Recommendations

IN its 1957 report, the Council of The Institute of Chartered Accountants in England and Wales announced the forthcoming publication of a comprehensive *Members' Handbook.* In its completed form, it was stated, the work would consist of two loose-leaf binders. Part I would contain such domestic documents as the Royal Charters and bye-laws, statements on professional conduct, Institute regulations and information about district societies. In Part II would be assembled technical pronouncements such as the Recommendations on Accounting Principles and other notes and statements on accounting matters of general interest.

A start has now been made with this notable project by the distribution of the binder for Part I in which have been assembled the Royal Charters and bye-laws, a revised set of the Institute's Recommendations on Accounting Principles to date and two statements on mechanized accounting – one on mechanized accounting and the auditor, first issued in March 1949, and the other on accounting by electronic methods which appeared originally in July of this year. To comply with the plan of the completed work, the recommendations and statements should be transferred to the Part II binder when it is issued and, to facilitate the handling of new and replacement sheets, the contents of each part are being printed in distinctive colours.

While the contents of Part I of the *Handbook* are and will be primarily of interest to members of the Institute, there can be no doubt that those earmarked for Part II will be very much the concern of the profession at large. For that reason, it might be as well to summarize, before going on to consider them in more detail, the main changes which have been effected in the revision of recommendations previously issued. No. 2, which dealt with war damage contributions, premiums and claims, is obsolete and has not been reprinted. No. 7, on the disclosure of the financial position and results of subsidiary companies in the accounts of holding companies and issued in February 1944, has been superseded by the group requirements of the 1948 Companies Act and has not been reprinted either. The Council has not yet decided whether in this instance a new recommendation should be issued.

Of the others of the first eight, Nos. 5, 6 and 8 – on the inclusion in accounts of proposed profit appropriations, on reserves and provisions, and on the form of the balance sheet and profit and loss account, respectively – are now incorporated in the new Recommendation No. 18 entitled 'Presentation of balance sheet and profit and loss account' which was reproduced in last week's issue; Nos. 1 and 3 – on tax reserve certificates and on the treatment of taxation in accounts – have been assimilated into the new Recommendation No. 19 called 'Treatment of income tax in accounts of companies', which we have pleasure in reproducing elsewhere in this issue and, finally, No. 4 – on the treatment in accounts of income tax deductible from dividends payable and annual charges – is now covered jointly by the two new recommendations, Nos. 18 and 19.

To round off this summary, it should perhaps be mentioned that, since the distribution to members of the Part I binder of the *Handbook*, the Council has published Recommendation No. 20 – on the treatment of investments in the balance sheets of trading companies – which we hope to reproduce and comment on in our next issue.

THE PRESENTATION OF ACCOUNTS

The four earlier recommendations which now come wholly or partly under the umbrella of No. 18 were all published between March 1943 and July 1944. At that time, not only was the current Companies Act unborn but the Cohen Committee on Company Law Amendment had not published its report. The Council's newly-begun series of recommendations (the first appeared in December 1942) was very much in the nature of a pioneering effort and it says much for their worth that nearly all of the recommendations have subsequently received statutory recognition or have become accepted practice.

Prior to the publication of No. 4, which recommended that in the case of dividends payable only the amounts actually to be disbursed should be charged in the accounts and that annual charges for debentures and other interest, royalties and similar annual payments, should be charged gross, some very misleading profit and loss accounts were, in all innocence, produced. Again, until Recommendation No. 5 anticipated the 1948 Companies Act by suggesting that provision for proposed profit appropriation should be made in the accounts of the year in which, normally, the profits were earned, thus aligning the results of trading with their application, many shareholders with insufficient accounting knowledge to co-ordinate the balance sheet with the directors' report, thought their investments to be worth more than, in fact, they were. Equally great confusion in the lay mind was caused by the indiscriminate and interchangeable use in balance sheets of the terms 'provisions' and 'reserves', and Recommendation No. 6, with its amendment of May 1948, established a distinction permanently clear beyond all doubt.

The new Recommendation No. 18 is an expansion of No. 8 in the light of fourteen more years' experience, ten of them with the Companies Act of 1948. The Council's precepts relate to the accounts of commercial and industrial companies and are intended to be of help to members when advising directors and other company officials as to the best accounting practice in the presentation of financial statements. The points made in earlier recommendations which No. 18 replaces, now covered by the Companies Act, have been omitted.

At the outset, the Council stresses that the balance sheet is 'mainly an historical document' and should not be regarded as a current valuation of the undertaking even in instances where the assets have been revalued and the balance sheet totals are based on the revalued and not on the original cost figures. For that reason, as it points out later, the description 'net worth' should not be applied to the aggregate total of share capital and reserves. The Council thus reaffirms its opinion, given in Recommendation No. 15 (issued in May 1952), that annual accounts should continue to be prepared on the basis of historical cost and that profits as shown in these accounts should be calculated on the same principles.

On what should be included in the amount shown as the profit or loss for the year, the Council preserves an open mind. It mentions the opposing schools of thought – the one which considers that all results, whether arising from the year's trading or from the transactions of earlier years, should, subject to separate disclosure of material amounts, be included; and the other, which would exclude all items not strictly relevant to the year's trading, as being adjustments in respect of previous years and, as such, to be shown separately. The Council states that each opinion has arguments in its favour which ju fies a continuance of the method and that, vided the profit and loss account is prepar conformity with either view and with the a cation of accepted accounting principles, then it may properly be said to be true and fair. It is suggested, however, that when a profit is revealed two balances should be struck – 'profit before taxation' and then, after charging the taxation based on that figure, 'profit after taxation'.

INCOME TAX IN COMPANY ACCOUNTS

The new Recommendation No. 19 on the treatment of income tax in the accounts of companies is as comprehensive as could be desired and gives authoritative guidance for the first time on a number of matters which often give rise to uncertainty. To say that the recommendation is a matter of common sense is not to belittle it. In the first place common sense is not so common. In the second place, before one can begin to apply common sense to the problem one must have a thorough grasp of the legal complexities which surround it. Neither the relevant provisions of the Companies Act, 1948, nor the multiplicity of income tax provisions are easy to grasp, and they are probably completely beyond the capacity of most shareholders and creditors of companies. The review of them which accompanies the recommendation is both lucid and commendably brief, but without it the recommendation itself would be difficult to follow.

In even the simplest of cases there are almost inevitably two factors which make for complexity: the accounting year rarely coincides with the income tax year, and the profits shown by any particular set of accounts usually form the basis of a subsequent tax year. It is manifest that the income tax which is actually imposed for the period of the accounts should be provided for in those accounts. But prudence and common sense dictate that if the profit shown by those accounts is going to form the basis of the tax assessment for a subsequent year, that tax should also be provided for in those accounts, as far as it is humanly possible to estimate it, bearing in mind that the rate of tax is probably still unknown.

Of course, if the company's trade, or one of them, has been permanently discontinued before the accounts are made up, then it would be pointless to reserve for a tax which was never going to be imposed. It might be already clear that owing to the vagaries of the income tax basis of assessment the profit shown by the accounts is not going to enter into the computation of any income tax assessment. In those circumstances it would be misleading to make any reserve for tax.

The question whether the future tax was properly called a provision or a reserve was the subject of keen controversy just ten years ago. A leading article in our issue of November 13th, 1948, headed 'Provision or Reserve?', summed-up the arguments and came down emphatically on the side of the Institute. Nothing that has happened since has in any way vitiated this conclusion. At that time we also put in a plea for the adoption of the Institute's recommendation that the current year basis of assessment be adopted. So far, this has fallen on deaf ears but the arguments for it are still valid.

It would be gilding the lily to go through the recommendation item by item, even if space permitted. We particularly welcome, however, the suggestion that income and charges taxed by deduction should be shown gross in the accounts, the necessary tax adjustment being made in the taxation account; while dividends paid should be shown net. Of course, dividend warrant counterfoils have to show a gross figure from which tax is deducted to give the net dividend paid, but this is in one sense entirely a fiction. The company has a fund of profits which have borne tax and it is from that fund that dividends are paid, whether they are ordinary dividends or preference dividends. Moreover, there is no necessary relation at any point in time between the total amount of tax which a company has paid, and the total amount of tax which it is deemed to have deducted from dividends.

As regards paragraph 25, which deals with claims for loss relief under Section 341 of the Income Tax Act, 1952, it is recommended that where the relief obtainable under that section exceeds the tax on income from other sources, the excess should be shown as income tax recoverable, which may be set off as a deduction from current liabilities for tax or from the reserve for future tax, 'as may be appropriate'. Of course, where the Section 341 relief is to be obtained partly by set-off from tax for the next tax year, the appropriate treatment will be by deduction from the reserve for future tax, not by deduction from current liabilities.

Computer Exhibition

NEXT Friday, the Electronic Computer Exhibition, which is to be held under the patronage of H.R.H. THE DUKE OF EDINBURGH, will be opened at Olympia by the Lord Mayor of London, SIR HAROLD GILLETT, M.C., F.C.A.

It is a happy combination of circumstances that brings a leading chartered accountant of the City of London to open the first exhibition of computers to be held in Europe, for the introduction of computers in the processing of business data is clearly a development of great importance to the accountancy profession. But computers are complex, highly technical, and costly – any one of which facts is sufficient reason for the average accountant to dismiss the subject and leave it to someone else to worry about. The presence of SIR HAROLD GILLETT to perform the opening ceremony should therefore serve to remind the profession that this is a subject in which they should take an interest.

The exhibition provides a welcome opportunity to see the equipment concerned and the organizers are to be congratulated on having made it possible to see, in one place, so much equipment that is still relatively rare and difficult to see in the ordinary course of business.

Computers are, however, in some respects unimpressive machines to look at; long rows of gleaming cabinets contain an incomprehensible collection of wires, valves, transistors and electronic gadgets. Figures are put in at one end, in the form of punched cards, tape, or other media, and results come out somewhere else. To the ignorant layman there is no obvious proof that there is any connection between one and the other. The whole process is therefore in danger of appearing rather like magic (black or white according to one's outlook). In view of this, the organizers of the exhibition are again to be congratulated for having arranged a symposium of papers and discussions to take place from December 1st to 3rd in conjunction with the exhibition. This will provide a most useful opportunity of gathering first-hand information on what happens when one comes to use a computer on business work. It is an opportunity of which advantage should be taken by as many accountants as possible, and it is significant that the chairman of one of the sessions will be the President of The Institute of Cost and Works Accountants, MR H. J. FURNESS, F.C.W.A.

The opportunity provided by the exhibition and the symposium is valuable because it provides an insight into a field of development which has, up till now, been remote to most people. The size and cost of computers has restricted their application, so far, to the larger industrial units, as is evidenced by the names of companies whose officers are presenting papers at the symposium. However, there is also evidence of a development which could be significant to the profession at large – namely, the use of computers on a service basis; for a paper is being presented by the joint managing director of a relatively small firm which is buying computer time to do production control work. Other cases exist where relatively small amounts of computer time are being hired to handle business problems on a regular basis. This is a field in which the accountancy profession has already begun to play a part. The possibility of providing computer services on a wide enough scale to make them readily available to the bulk of industry is as yet hardly being considered. Likewise, industry itself has hardly begun to contemplate the possibility of not doing the accounting 'washing' at home, but sending it out to a 'laundry'. With a better understanding of what is involved, the accountancy profession should be able to perform a valuable function in bridging the gap between the computer and the industrialist, who may, unknown to himself, have a worth-while application for a computer.

Computers have the advantage of high speed, unflagging enthusiasm for long complicated operations, and much greater consistency and accuracy than human beings. They can thus provide speedier, and often better information and make it possible to do things which could not be done before. But one may beg leave to doubt the suggestion that they will handle information at considerably less cost. If one wants something better, one generally has to pay for it in most walks of life – and computers are unlikely to be an exception.

Production Data Processing

The Use of an Electronic Computer in Production Control

by JOHN WM. PARKER, B.Sc., Ph.D., LL.B., F.S.S.
Member of the Operational Research Society, Past President and Fellow of The Institute of Industrial Engineers

EVERYONE knows what 'production control' means yet to everyone it seems to mean something different. For present purposes, therefore, production control will be defined as:

> A complex of interrelated functions, exercised by production management, for organizing and communicating information upon which action may be taken to manufacture products.

It is implicit in the foregoing definition that the functions are 'staff' functions involving no line authority or responsibility and that they relate solely to 'organizing and communicating information', i.e. they are data-processing functions.

Though related *inter se*, the various functions will be considered under four separate heads – programme breakdown, plant loading, progress control, stock control – but such separation is artificial and is made to simplify exposition.

Programme Breakdown

Purpose: to translate a sales programme of end-product requirements into a production plan for the making of those end-products.

The basic data, embodied in files of Hollerith punched cards, comprise:

(*a*) Hollerith binary parts master cards – as illustrated – in which each item – material, piece-part or assembly – identified by a part number, is represented by one or more such cards, wherein particulars are punched of every end-product in which that item is used, with the quantity or number off of the item in one unit of the end-product.

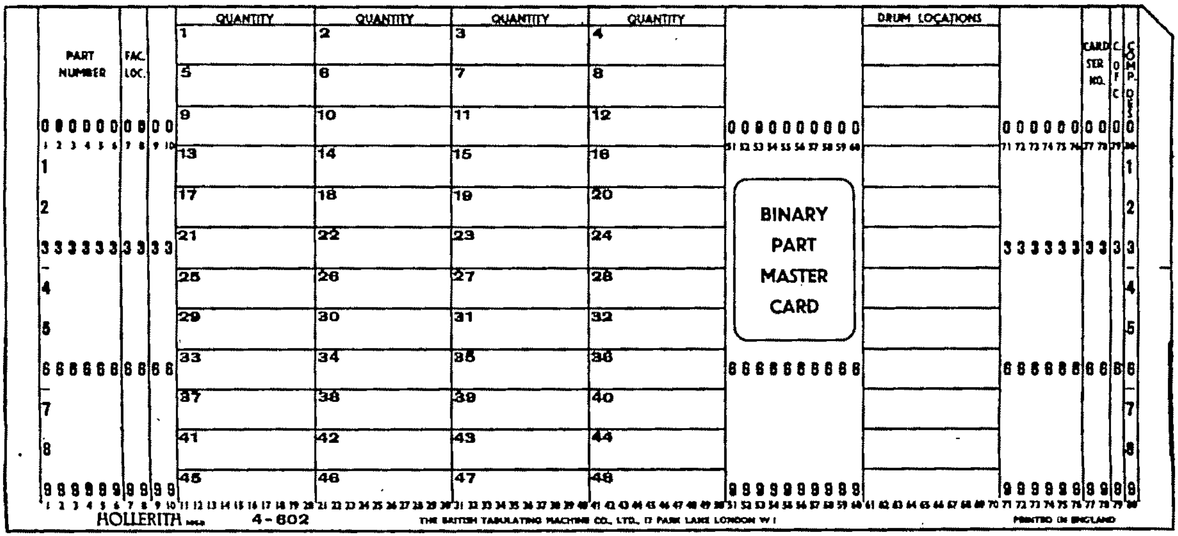
This is a standing file in which – subject to modifications arising out of specification changes – the information is constant. The numbers or quantities therefore represent constants and serve as multipliers.

(*b*) Cards punched *ad hoc* for each programme, showing precisely what end-products – and how many of each – are required in each delivery period covered by a programme. The numbers, of course, differ as between end-product and end-product within a programme and again as between programmes. They are variables and serve as multiplicands.

(*c*) Cards showing, for each item, the quantity or number available (i.e. not allocated) in store or on order – internally or externally. These are, in effect, stores record cards produced automatically at the stock control stage hereafter noted. The processing of this basic data comprises, for each item identified by a part number in file (*a*) above:

(i) A multiplication – end-product unit quantity by the number of end-products called for in the programme.

(ii) A summation – of the multiplications at (i) to give total gross requirement of the item.



(iii) A subtraction – of 'available' quantity of the item from gross requirement to give net requirement to be made or bought.

This data processing exercise, carried out by the computer at speed and with complete accuracy, results in the production – as output – of:

(*a*) printed orders on the purchase department for bought-out items;
(*b*) punched 'net requirements' cards for those items made in, to be used at the next stage of data processing.

Plant Loading

Purpose: twofold – firstly, to determine the total load per machine group in each manufacturing period; secondly, to allocate the time, during particular weeks, of specific machines or groups for the carrying out of specific operations on particular items.

The procedure is akin to that discussed under programme breakdown. The basic data are embodied in three files of Hollerith cards showing respectively:

(*a*) 'Net requirements' of items – from computer.
(*b*) Operations, in correct sequence, to make each item.
(*c*) Overall capacity in machine tool groups in each week of the production cycle and existing demands thereon – the difference being available capacity.

Data processing is in two stages:

(*a*) Calculation of overall load (existing plus new demands) to detect forthwith possible overload anywhere along the line, so that provision therefor can be made by overtime working or sub-contracting. Chronic overload may involve provision of additional capacity.
(*b*) Detailed calculation of load on individual machines or groups during specific weeks. Using the discriminatory powers of the computer one works backwards, week by week, from the date on which the item is required, testing load requirements against available capacity, and allocating new load until the total load is absorbed.

Computer output comprises:

(1) Load statements – showing load on shops, sections and machines; and on jigs, tools, fixtures and other facilities week by week over the production period.
(2) Operation job cards – showing the various operations to be performed on each item, when they are to be performed and where.

Together these define the *strategic purpose* of the exercise during, perhaps, a whole production cycle or more. They are subject to modification in the light of subsequent events, e.g. additional load (crash programmes, adjustments for under- or over-makes etc.). They enable production management to define its *tactical purpose*, that of feeding to the shop floor only sections of the load statements and batches of operation job cards specifying the work to be done in the next limited period, e.g. one week.

Progress Control

Purpose: to compare what was done in a week with what was planned for that week, and to make, in future plans, compensatory adjustments for any discrepancies.

The operation job card – part of the computer output at the preceding stage – is the key to progress control. The original is retained in the computer room, copies being issued to the shops as authority to proceed. As operations are completed the relative cards are marked with quantities made good and returned to computer room. A simple collation – originals of cards *issued* with copies of cards *returned* – provides the means of listing, firstly, jobs planned for but not completed during the week; and secondly, jobs completed but with discrepancies between required and actual, i.e. over-makes or under-makes. It thus becomes possible to make immediate provision either for working overtime to catch up, or for amending the plan to provide for manufacture in a subsequent period.

Stock Control

Purpose: to ensure availability of physical items called for in the plan at the times and in the quantities required, at least inventory cost.

The approach to stock control is based upon two premises, that:

(*a*) Post-mortems are seldom very useful. One cannot exercise control over what has already happened and the conventional stock record – a history of past events – is of limited use in controlling what is happening now and what is to happen in the future.
(*b*) 'Dog bites man isn't news – man bites dog is.' Only departures from an accepted norm are of interest, i.e. no useful purpose is served by investigating any stock item unless some action has to be taken relative to it.

Input data as to stock balances; requirements; ordered, received, over-made and under-made quantities; issues, including excess and irregular (credit) issues; are punched into Hollerith cards to serve as computer input.

Given a suitable programme of instructions, the computer will process the foregoing data to produce as *output*:

(1) New stock balance card showing up-to-date stock position of the item in each of the ten periods to which the card relates – input data for next review.
(2) Printed records of abnormal conditions only, including: actual additional requirements and periods in which required – to initiate new orders; actual quantities in excess of requirements and periods in which these will arise – to permit reduction of future orders, absorption of current stock or running down of obsolescent items; unavoidable surplus stocks – items which cannot be dealt with; 'negative' stocks, e.g.

issues in excess of holding – indicating a recording error for investigation.

Conclusion

The foregoing notes are based upon an actual application of the Hollerith Electronic Computer (HEC) as an aid to production control in the factories of The British Tabulating Machine Co Ltd. The purpose of the application was to achieve:

(*a*) greater flexibility in the relationship between the sales and the manufacturing sides of the organization;
(*b*) a shortening of the throughput or cycle time of manufacture;
(*c*) a reduction in the investment in stocks and work in progress.

The application, which has only been operating during the past three or four months, has already justified the effort involved.

Hire-purchase Accounting by Computer

by A. A. McPHIE

It is quite well known that if every party to a hire-purchase agreement paid the instalments exactly as and when due, the documentation necessary for maintaining a record of the transaction would be simple indeed.

The raising of a fixed debit and its amortization by fixed amounts at regular intervals is about as simple a book-keeping exercise as it is possible to conceive. But introduce departures from the plan such as an irregular payment at the due time or in arrear, and there are the makings of a quite complicated train of operations.

Any system designed for hire-purchase accounting must therefore be flexible enough to accommodate a wide range of variations from the simple path as human nature, being what it is, will find some way, mostly unwittingly, of making special procedures necessary.

Raleigh Installation

The system now being installed at Raleigh Industries (Gradual Payments) Limited, is unique in that it is one of the first to employ an electronic computer, the machine in use being a Powers-Samas P.C.C. The computer technique is integrated with orthodox punched-card procedure which gives the desired flexibility.

As each new contract is opened, a punched card, termed the master card, is introduced into the system. The card does not have to be specially punched as it is produced as a by-product of dealer's credit note preparation.

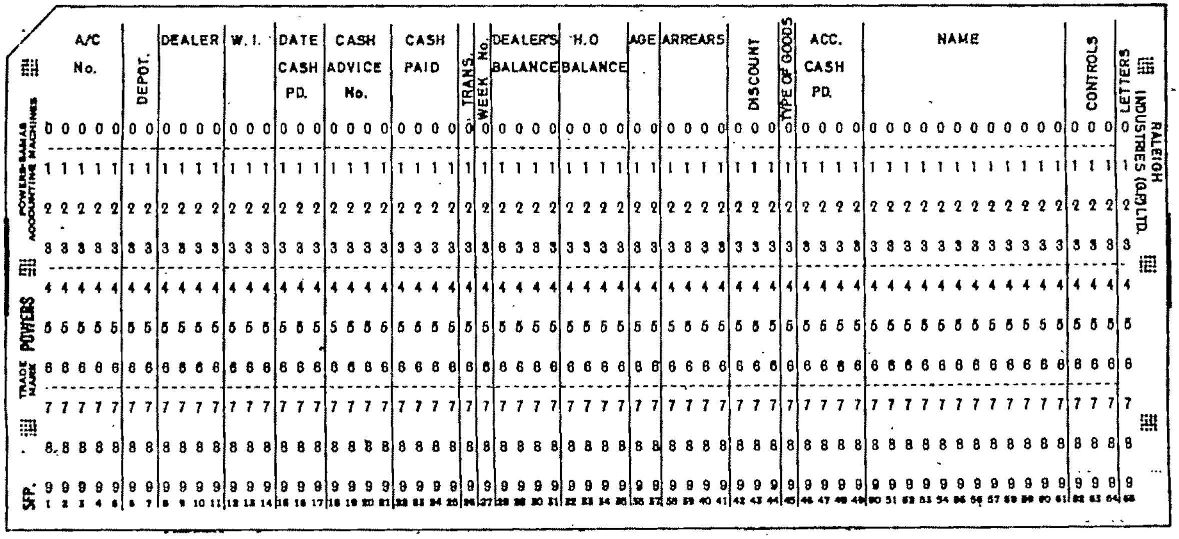
The illustration will be familiar to those conversant with punched-card practice, as it is largely a record of the pertinent data relating to a particular transaction.

The master card is punched with the following items:

Field	*Columns*	*Field*	*Columns*
Account No.	1–5	Head Office Balance	32–35
Depot	6–7	Type of goods	45
Dealer	8–11	Name	50–61
Weekly instalment	12–14	Control	62–64
Transaction type	26		

The field headed 'Control' is punched with what are virtually programme instruction holes, mainly for machines other than the computer.

The processing of each depot's accounts is on a fortnightly basis and new debit master cards are filed in at the appropriate date. When notifications of



payments are received, new cards are created, one for each payment made. The same form as is illustrated is used, but the following information is punched, and of course verified in the usual way:

Field	*Columns*	*Field*	*Columns*
Account No.	1–5	Cash advice No.	18–21
Depot	6–7	Amount paid	22–25
Dealer	8–11	Transaction code	26
Date of payment	15–17	Dealer's balance	28–31

The 'Dealer's balance' figure is that which has been calculated by the dealer and which is shown on the customer's receipt.

In ideal circumstances, there would be a payment for every account, but if such were the case the use of a computer would not be justified. As this is not the case, the two batches of cards are compared in an interpolator which 'marries' payments cards and master cards which have a common account number and rejects any master cards which have no corresponding payment card. The cards are left in two batches: (*a*) containing masters with paired payment cards and (*b*) master cards alone.

The two batches are subject to separate treatment and that comprising the paired cards will be taken first. 'Pairing' does not necessarily imply just two cards, as it is possible that several payments may be made between reconciliation dates, consequently there may be several payment cards to one master.

Logical Decisions from Alternative Courses

It is impossible here to describe in detail the many steps which make up the 'programme'. In connection with the discount factor alone, the machine may have to make logical decisions from dozens of alternative courses. The main steps and results obtained, however, may be mentioned.

The programme for a P.C.C. is set into the machine simply by inserting four 'units' which are thin boards 8 in. long by 5 in. wide, into which have been pressed a number of copper rivets which make contact with a printed circuit. No specialized skill or ability is necessary for this or any other operation on the machine. The insertion of the units makes the full programme of instructions available to the machine and it does not have to be fed into valuable storage space.

The cards are automatically fed into the machine at a speed of 120 per minute and are arranged so that the master cards always precede the corresponding payment cards. On arriving at the first sensing station, the following information is read off the first master card and fed into an intermediate store:

Account number
Amount of weekly instalment
The outstanding balance according to control record (Head Office balance)
*The age of the contract
*Arrears (if any)
Discount accruable (if any)
Name
Control positions
*Reminder instruction

The items marked with * will only be present in master cards relating to accounts which have been in force for more than one week. The card then proceeds to a second sensing station where the same items are read and compared with the data in the intermediate store. If the two readings are in complete agreement, the data is fed to the main store and the calculation proceeds. In the event of disagreement, the operation is annulled and the card is passed through and turned over in the receiving box to indicate 'no action taken'.

A payment card follows and the undermentioned items are sensed simultaneously and stored and checked in the same way as was done for the master card: account number; amount paid; dealer's balance.

Account Numbers Compared

The first instruction from the programme causes the machine to compare the two account number readings and if that from the payment card agrees with the master card the calculation is allowed to proceed. The amount of cash paid (from payment card) is next deducted from the Head Office balance (master card) and a new balance struck. If the new balance reveals an arrear position the amount thereof is calculated, similarly the new age, discount, and accumulative cash paid are computed and set into store.

The last instructions (in so far as the calculating is concerned) to the computer unit causes it to review the position, so to speak, and to set up a code signal indicating if special action is necessary. Such a signal could indicate that the account is in such a state as to warrant the issue of a special reminder letter.

The stores now contain information derived from (*a*) the master; (*b*) the payment card, and (*c*) computed within the machine. The last factors may have replaced similar earlier sensed data, e.g. in the case of the Head Office balance picked up from the master card and modified by data from the payment card, the new balance eliminating the original. Incidentally, the original Head Office balance is compared with that reported by the dealer and sensed from the payment card for audit purposes.

The payment card is next passed to the punching station where the combination of the above data is punched in and checked at a subsequent station. This fully punched payment card becomes the master card for the next period, provided it is alone and not followed by another corresponding payment card. If there are one or more following payment cards, the process is repeated and the last payment card becomes the master card for the next period.

Master cards with no corresponding new payment cards are passed through the computer on their own and those factors affected by the non-payment of the due instalment calculated, the main item being of course the arrears and the reminder instructions.

The final stage in the process is to produce printed records of all the transactions and this is done on tabulators, all the data produced by the computer being fully reproduced.

Weekly Notes

CARBS and CAESS

SO accustomed is the accountant to seeing and making use of comparative figures in financial statements that their absence leaves him momentarily nonplussed. The accounts of the Chartered Accountants' Retirement Benefit Scheme and the Chartered Accountants Employees Superannuation Scheme, which we reproduce elsewhere in this issue, contain no such signposts for the very good reason that they are, in each instance, the first financial statement to be produced. The figures given, however, indicate absolutely, if not comparatively, the success of both schemes. In the case of CARBS, the very substantial sum of £192,431 was collected in contributions from participants and we should imagine that this amount will grow larger as the idea gains momentum.

In the case of CAESS, the need for its existence is clearly demonstrated not so much by the total contributions collected (although that, too, is important from the Committee's viewpoint) as by the number of firms who have enrolled. To have attracted 125 from the inception of the scheme to date is distinctly encouraging progress and next year, when comparative figures are available, we confidently expect that the number will be substantially more. One important source of new members should be from among those firms who already operate their own pension schemes, and the advantages to them and to their staffs of a change-over are admirably outlined by the Chairman of the Committee whose review we are privileged to reproduce along with the accounts.

Investment and the Small Saver

A GOOD deal of interest has been attracted by the announcements made towards the end of last week about plans to finance share buying by small savers. Schemes for buying or allotting shares in companies are not new, and a number of large companies, notably I.C.I., have evolved schemes for their workers in the last year or two. One of the features of all schemes so far has been the comparatively small amount of interest they have aroused among workers. It is, therefore, certain that an attractive scheme must have good publicity in order to succeed.

The scheme put out by Aims of Industry is based on the investment by the wage-earner in bearer shares either of the company in which he is employed or in some other company willing to participate in the plan. The Treasury have intimated that the current restrictions on the issue of bearer shares could probably be relaxed sufficiently to cover a scheme of this kind. Acquisition of these shares will be through private companies limited by guarantee and formed by each sponsoring company. A specimen memorandum and articles of association suitable for such a bearer shop company have been prepared by a well-known firm of solicitors. The sponsoring company must be responsible for providing the initial working capital of the shop company for it to acquire its first portfolio of investments. Aims of Industry propose issuing a question-and-answer pamphlet for potential employee investors and a detailed book on shop companies is also planned.

The Bowmaker Purchase Plan issued last week has also attracted a good deal of attention. This well-known hire-purchase concern will advance 75 per cent of the cost price of the stock, and the whole of the brokerage and stamp duty for the purchase of shares. Repayment can be made monthly or over 12, 18 and 24 months. Stocks and shares will be registered in the name of Bowmaker (Nominees) Ltd, until they are fully paid for, but dividends will be paid to the investor.

Advice on investment will still have to be given by a reputable source outside the organizations administering these schemes. The position of the stockbroker is thus not changed, and this is an obvious point at which such arrangements can be tied to the existing financial mechanism of the City.

Meaning of 'The City'

MR W. LIONEL FRASER, C.M.G., spoke on 'The position and meaning of the City of London', at a luncheon meeting of the London and District Society of Chartered Accountants held last Monday. He said that some people looked upon the City as a place of privilege, but from his own experience he could say that it was not: it was not a place to which a person could come and be sure of success because he was a particular individual. It was a place where experience counted; many a man who had once been an office boy had achieved a position of great prominence.

In the 'Square Mile' one found the headquarters of the banks, the insurance companies, the Bank of England, Lloyds, the Stock Exchange, and the Baltic. Then there were the issuing houses which performed an extremely important function.

The City of London stood or fell on the strength of sterling and that was why it was so pleasing to see the measures introduced lately which had resulted in a considerable strengthening of sterling. Half the trade of the world was still conducted in sterling and he believed that the City was more firmly established than ever before.

Budget Advice by the N.U.M.

THE annual admonitions to the Chancellor of the Exchequer about his next Budget have had an early start this year. The National Union of Manufacturers begins its recommendations by congratulating the Government on the squeezing out of inflation and then goes on to ask for a reduction in the standard rate of income tax, a higher starting level for surtax, the limitation of surtax directions to the amount of profit which companies can reasonably distribute, a restoration of investment allowances of 40 per cent on plant and machinery, and an increase in the annual wear and tear allowances. The Union suggests that purchase tax could be further simplified and its ill effects mitigated, including as a first priority the abolition of the purchase tax on commercial road vehicles. The Union repeats its strongly held view 'often voiced but hitherto disregarded' that there should be a complete review by an independent committee into the structure, incidence and effects of estate duty. It is argued that now that the Government has conceded that the full market value should be paid on compulsory acquisitions of land, it is an elementary extension of this to ensure that a man's successors are not penalized by the taxation of his assets on a totally unrealistic value. Pending the review, the Union recommends that the rate structure should be on the slice principle applied to surtax.

Malayan Tax Holiday for Pioneer Companies

DETAILS have been published of schemes by the Governments of the Federation of Malaya and of Singapore to grant 'tax holidays' to pioneer industries such as textiles, wire products, paint, plastics, electrical products, electronic and communications equipment, timber and chemicals. The length of the holiday, reports a *Financial Times* correspondent, will depend on the amount of capital invested. The Singapore Bill which has been published allows periods up to five years. Another Bill gives tax allowances of from 10 to 15 per cent over five years, based on annual expenditure, to encourage expansion of existing industries, where this would confer economic benefit or increase employment.

Oppression of a Company Minority

SECTION 210 of the Companies Act, 1948, gave a new remedy to members of companies who considered that the company's affairs were being conducted in a manner oppressive to them. Before 1948 their only remedy was to have the company wound up, which might well mean destroying the asset they were seeking to preserve. The new section gave the Court wide powers of giving other relief, but the Courts have shown a marked reluctance to make orders under it. In England an order was made for the first time, in *Re H. R. Harmer Ltd*, on May 12th of this year but the case was not reported. The order has now been affirmed by the Court of Appeal (*The Times*, November 18th, 1958).

The petitioners were the two sons of H. R. Harmer, the founder of the well-known business of stamp auctioneers and valuers. The order, made by Mr Justice Roxburgh, directed *inter alia* that the company should contract for the services of the father as philatelic consultant at a salary of £2,500 a year, that he should not interfere in the company's affairs otherwise than in accordance with the valid decisions of the board, and that he should be appointed president for life, but that this office should not carry any duties, rights or powers. The father, now 88 years of age, appealed.

Lord Justice Jenkins said that he had come to the same conclusion as Mr Justice Roxburgh. That judge had found that there was evidence to show that down to the date of the order the father had been able to control the company through his own and his wife's votes, the wife having agreed to vote in accordance with his direction. He had continued to regard the business as his own, to ignore the wishes of the other shareholders and directors, and the resolutions of the board. The fact that the sons had received their shares through the generosity of their father did not disentitle them to an order under Section 210. The other lords justices concurred. The appeal was accordingly dismissed.

Sugar Board's First Year

THE Sugar Board was established under the Sugar Act of 1956, and recently issued its first annual report covering the period October 1956–June 1958 (H.M. Stationery Office, price 2*s* 6*d* net). The Board's purpose has been to reconcile the restoration of private trading in sugar with the Government's obligations under the Commonwealth Sugar Agreement on the one hand, and guarantees to sugar beet producers in this country on the other. The Board buys about two-thirds of the Commonwealth's sugar exports, and sells them on the free market. The buying price is fixed annually by the Minister of Agriculture, after negotiations with Commonwealth exporters, and is normally above the free market level at which the sugar is sold. So far as United Kingdom production is concerned, the Board has taken over from the Government the making of payments to the British Sugar Corporation necessary to enable the Corporation to pay United Kingdom farmers the price for sugar beet guaranteed under the Agriculture Acts. The Board recovers its deficit by a surcharge on all sugar, and if it is able to accumulate a surplus owing to a high world sugar price it may make distribution payments but, taking one year with another, the Board is expected to maintain a stable position by the adjustment of both surcharges and distribution payments.

In the first few months of its existence, the Board earned a large surplus, and distribution payments were introduced in July 1957. Thereafter, the market price fell sharply, and a surcharge was introduced in February 1958. Over the period as a whole, there were net receipts of £11·4 million as surcharge, and distribution payments of £7·8 million, giving a net excess of surcharge over distribution payments of £3·6 million. After allowing for administrative and other expenses, there remains an under-recovery of £7·6 million, to be carried forward into the next accounting period. This last figure is well within the £25 million which the Act authorizes the Board to borrow to avoid making frequent changes in surcharge to meet fluctuations in the world price of sugar.

Computer Feasibility Study.

by D. FIELD, M.O.M.A.

Head of Computer Investigation Group, Shell-Mex & B.P. Ltd

MANY companies have set up investigating teams in order to establish whether they can justify the use of electronic computers in their organizations. The glamour of electronics and of integrated data processing has a magnetic attraction which is drawing the architects of commercial procedures under its spell. Unfortunately this glamour has sometimes had a false allure, masking the real issues and causing misconceptions.

It is, however, becoming quite clear that before electronic computers can be installed very careful and most detailed examination of existing procedures must be undertaken if this new and fascinating equipment is to be used successfully. Investigators who have been able to study at first hand the American scene have gathered some interesting facts on the development of electronic procedures. It is reported that some companies installed computers mainly as a sales gimmick and others just to keep pace with rival companies, and it has been left to some poor souls in the organizations concerned to make an effort to get them working. Nothing could do more harm to the progressive development of commercial procedures than to approach computers on these lines. It is necessary to resist this desire to rush into what is still a very new and even unexplored territory of mechanized applications without adequate preparation.

Some companies, mainly in the U.S.A., have [illegible]lled computers purely on the grounds that they [illegible]re already mechanized in the form of punched cards and on this basis alone, a decision was made to change the standard punched-card applications to electronic procedures. Many of these firms have suffered a bitter experience, have been very disappointed with the results achieved and what is more, severely shaken by what it has cost them. It is due in no small measure to this sort of thing that the development of computers on a commercial basis has been rather difficult to follow.

Nevertheless, it must be recognized that a tremendous amount of good work has been undertaken. These experiences and some sound common-sense thinking dictate the pattern to be followed, for there is no doubt that the amount of initial investigation necessary before deciding on an electronic computer system is very much underestimated. It is for the investigating teams starting now to benefit from the successes and failures that have occurred in recent years. If an examination were undertaken of existing computer installations, it would be found that there is in fact a relationship between the thoroughness of the preliminary planning and the results achieved; companies most satisfied with their progress are the ones that have been very careful and very detailed in their planning.

Correct Perspective

It is of major importance that the minds of the investigators are in correct perspective for a large scale examination of this nature. They will have many problems to face during the course of their studies. Perhaps the most important is how to make the right approach to the examination. A strong school of thought supports the view that the best method is by way of installing punched-card machines. It is generally recognized that it is easier to change procedures that are already mechanized on punched cards to fully automatic processing; not, as will be explained later, job for job but in the general sense of making the change more readily due to the experience gained in the handling and devising of mechanized applications.

It may not be so easy to go straight from a manual system to electronic computer processing. It could happen that some of the organizational problems that will inevitably arise from the introduction of computers may in fact be partially solved by this stepping stone of punched cards. Also, it is highly probable that companies which are large enough to consider the installation of a computer, will already have some experience in punched-card operations. There is, however, lurking here what experience has shown to be one of the biggest dangers of all, and that is the inclination to re-write punched cards procedures as a computer application, for it is doubtful if this will produce satisfactory results.

One of the greatest attractions of electronic digital computers is that they open up the possibility of mechanizing jobs which, under normal circumstances, are not very satisfactory in themselves and where the production of information by mechanical means is limited to the flexibility of the machines in use. It is known that some computer installations have been justified on the basis of a single application and it is as a result of this that some of the earlier experiences have proved so disappointing and a number of the schemes thus planned have fallen short of expectations. The lesson to be derived from this is that normally isolated procedures changed as such to computer applications may show very little if any savings at all

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Based on a lecture to the London computer group of the Office Management Association.

over previous methods; the cost involved would certainly not justify the use of electronic devices, for it may well be a case of changing for the sake of a change. The key to this problem of investigation, therefore, undoubtedly lies in the correctness of the approach an investigating team should make.

The Approach

An investigation of this nature must be a critical examination of existing procedures – an examination that does not study isolated departments. It is a matter of great importance that the true objectives are firmly established at an early stage, because it is from this that the pattern of processing activities will develop. The team must direct their efforts towards a reshaping of the data handling method of the company as a whole, and plan, where possible, a streamlined processing system. An imaginative yet orderly approach should stimulate a willingness to re-think current procedure patterns of a company, and is vital if these new techniques and latest types of electronic and ancillary equipment are to be used successfully.

It is an unfortunate fact that many investigations are conducted without real purpose. This is caused by a failure to seek out the reasons for and the complete requirements of the examination and a failure to establish any kind of objective. It is as well to remember that any procedure recommended is worthless if it is not accepted by management and actually implemented and this can be taken to be a very hard fact of life surrounding the work of any investigating team.

The Investigating Team

This is essentially a full-time occupation. The habit of setting up a purely part-time committee to look into this subject without proper terms of reference is useless. The team should be freed entirely from all previous responsibilities and enjoy energetic backing from the very highest level. Their terms of reference should be as open as possible so that they will have the fullest scope in their work, and not a door in the company should be barred to them. It should be understood that it is fundamentally wrong to lay down any specific period for the investigation. It is something which must be left entirely to the judgement of the leader of the team; most certainly it must not be rushed, for the team may find it necessary to retrace their steps on various aspects of the examination before the final pattern emerges.

Members of the team must, of course, attend courses run by manufacturers of computers and learn as much as possible about the machines. More especially, they should pay particular attention to the techniques of devising jobs for the computer since this may eventually prove far more troublesome than the actual programming of the jobs on the machine. Manufacturers should be consulted often in order to obtain any assistance which may be required and to put forward problems that arise during the course of the examination, and to discuss fully the work being undertaken. The team should keep in touch with similar members of other organizations and so stimulate an interchange of ideas which will spread through commerce and be of benefit to all undertaking computer investigations.

It would be as well for the team to bear in mind that quite a number of computer study groups have thought in terms of one computer, one electronic box of tricks only; it is advisable to be a little more flexible in thought when studying company procedures. Do not be confined to the thought of working specifically to one computer unit. It may be that as a result of the examination, it will be found that a number of small computers would be of greater benefit than one giant computer.

The team would also be advised not to hesitate in saying that a computer is not feasible if they are in any way doubtful as to the merits or benefits that will be obtained from such an installation, because if there are doubts then the chance of success may be slim indeed. To install computers the team should be positive that they are going to achieve the results planned, otherwise it is better to wait a while and have another go later when perhaps other factors, not only in the organizations concerned, but in the computer world itself, can be taken into consideration.

THE INVESTIGATION

Deciding Where to Start

The first task must be to study the organizational chart or charts of the company. If one does not e[illegible] it is the team's first job to compile one. It is q[illegible] probable that there are a number of charts and if th[illegible] is the case they should be pasted on a large board, or even on the wall, in logical order, so that the overall scene can be studied. By the use of coloured pencils, the broad outline of the main procedure streams can be traced (there is no need at this stage to worry about the tiny offshoots between departments), so that the team will have a broad picture of the procedure pattern against the organization background.

This may at least eliminate some parts of the organization as outside the scope of a feasibility study. A close examination of what remains should reveal that one particular 'home' or 'box' receives more information for use as the end product than any other. Of course, a number of sections might satisfy this function, but, regardless of the number, one of these 'boxes' is the place to start the investigation.

The most effective start will be in the section which supplies most information to management;

the reason for this choice is that it is necessary to establish objectives – which are the requirements of management – before replanning the detail suitable to the needs of an electronic computer. This method of approach can be applied regardless of whether an organization is centralized or decentralized, for even in decentralized companies such 'homes' as are indicated on the chart are often located in a head office which has some form of control over its subsidiary branches.

Preparation

Having decided where to start, management must be informed of the decision, and the manager of the appropriate department or section must be told just why his particular area has been chosen. It is most strongly recommended that a senior member of every department investigated is seconded to the team full-time for the period of the examination. Not only will he look after the interests of his particular department, but also, by working with the team, will develop an understanding, and it is to be hoped, an enthusiasm for the computer approach. When the time comes for the implementation of any revised procedures, the team and the department will have the advantage of at least a partially-trained man on the spot. It is essential to get as close as possible to management early in the investigation, not only to talk to them a little about computers, and perhaps a few of the hopes for the future, but mainly to establish objectives at the beginning of the examination, so that the team will be in a position to plan procedures to satisfy directly management requirements.

From the routine flow of accounting, statistical and other information, many regular reports and forms are prepared. Management, of course, does not receive all these pieces of paper, but they do receive, in many cases, summaries of these reports. Management requirements are therefore based mainly on the end products of the various routine work flows. Although these routines satisfy other standard accountancy, audit, legal and statistical requirements, for the purpose of this examination these requirements may be termed as *offshoots*. So far as a computer investigation goes, it is fundamentally wrong to plan to satisfy these offshoots first – prior consideration must be given to management needs. The work flow of a company must be considered as a whole from the viewpoint of management, and not from the viewpoint of various departments in isolation.

The Start

The examination of the department chosen for the start of the investigation can, of course, conform to the normal organization and methods routine, challenging the various functions, the preparation of forms, compiling of reports, etc., and taking very precise copies of all the information that is issued from the department. This careful analysis of the work and of the end products will enable the team to obtain a knowledge of just what management receive and how the information is prepared.

Armed with this information, the team can then discuss with management the various uses of the reports received. Management should be questioned on every aspect of their work, so that the team may get behind their way of thinking. The team must essentially understand how management use the information they receive, and how it helps them to shape the policy decisions they may have to make.

Of course, management will need to be told that the mass of data they were in the habit of receiving is kept somewhere in the computer system, though not necessarily in the form of printed output, and that it could in cases of real necessity be extracted in much the same way as they had previously been accustomed to. If management can decide on what basis they consider facts significant, and worthy of their attention, the computer can apply management criteria. Every effort must be made to stress the theme that one of the most important aims of the investigation is to reduce the amount of paper work currently received, but that this can only be achieved if management as a whole are prepared to take advantage of the new facilities offered by electronic computers.

At this stage, however, it would be advisable to offer a word of caution about *ad hoc* jobs – that they might take longer to produce on a computer than by other methods. In order to establish the objectives which are the requirements of management, many conversations will take place on various aspects of the work, and it is to be hoped that the investigating team will be able to offer positive and constructive ideas as to what should be produced in the way of information. Needless to say, emphasis should be placed on future requirements.

The Detail Necessary

Having established the objectives, the team now have the task of examining the detail. This entails going to the source of documentation, in order to chart the procedures through their various stages. Of course it would be ridiculous to assume that these objectives are going to remain constant or fixed, for a full scale computer feasibility study may take a number of years. The team will need to keep very close to management throughout the period of the examination and be kept fully informed of their requirements, so that changes may be taken into account. The main effort must be to establish the shortest possible route between the original documentation and the objectives, and, of course, to satisfy various standing requirements *en route*.

This is a job that calls for great determination and

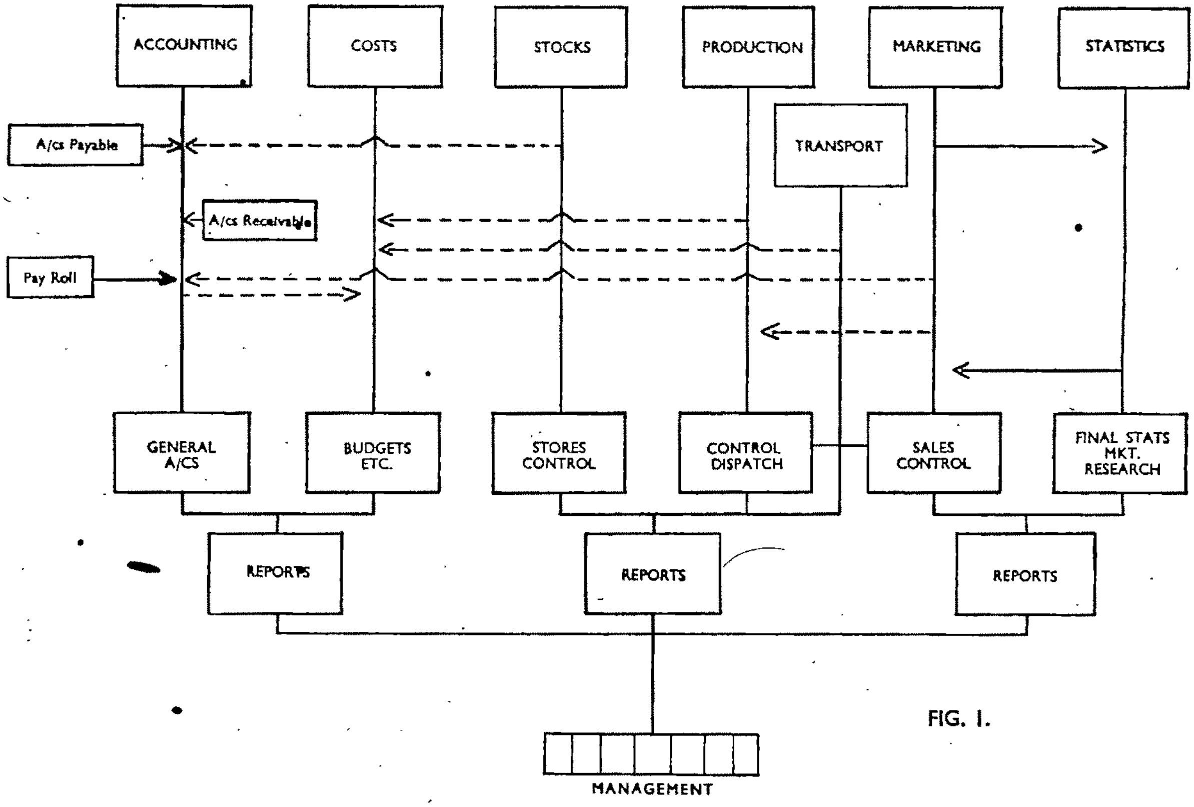

FIG. I.

tact. Every individual interviewed must give the team whole-hearted co-operation, this is vitally necessary if the job is to succeed. The little unofficial records and notebooks that are maintained by so many clerks today need to be uncovered and the reasons for their maintenance sought. All the facts must be unearthed and charted, the movements of every document clearly noted, and copies taken for reference. If, during the course of the study, doubtful records are found, management decision as to their necessity may be required, thereby cleaning up some unnecessary functions on the way.

In order to establish the aims of an investigation of this nature so that they are positively implanted in the minds of the team, it is worth while examining in very broad outline the sort of chart that could be produced for existing procedure flows of a typical self-contained manufacturing company.

It will be noticed from Figure 1 that separate procedure streams exist for the various activities of the company, the flow of work ending in a number of control or senior sections which gather information and produce the various reports for management and other standing requirements. If we were to add to this chart the many moves that take place within each work flow and the transfers between departments that arise, the effect would be to clutter up this broad picture, so that the whole would probably be unrecognizable. It certainly would not represent a very clean picture.

Individual Functions

Within each main procedure, various functions are carried out, in order to achieve the aims of the application. For the purpose of ensuring that the approach to this examination is on the right lines, quite as well to extract just one small clerical function and break it down as an example of one of the isolated pockets of work that arise within each procedure stream.

The functions indicated in Figure 2 could well occupy the daily duties of two clerks and a comptometer operator; more, of course, if the work flow happened to be large. It is an example of the type of watertight compartments that exist in most procedures and it is pockets such as this that can present the greatest difficulty when organizing work to the computer. The investigation must ascertain whether the work thus indicated should, in fact, be put on a computer, or whether perhaps only the end product should form input to a computer.

If it is only the end product which is thought best to be input to the computer, the team should seek ways and means of producing this by other automatic data handling methods. This, of course, would mean accurate information as input with the minimum possibility of human errors in transcription or checking.

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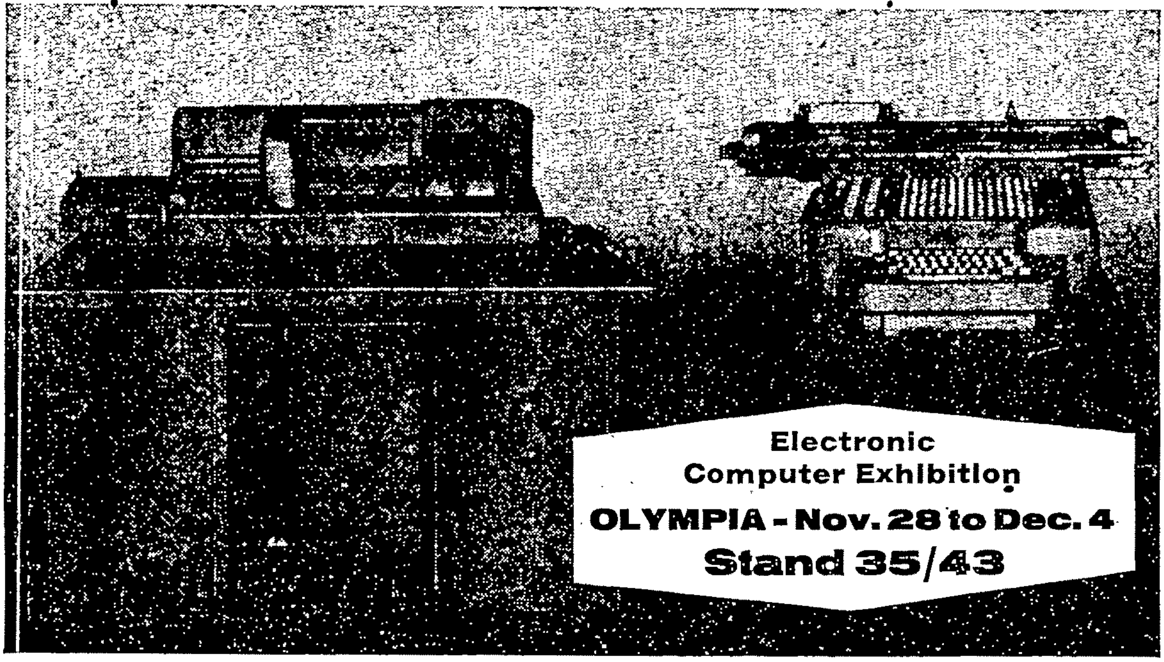

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language medium' can be input direct to the computer. The production of paper tape as a by-product of the preparation of the original document (in the diagram the delivery document) may be the best answer. Extreme care is necessary before deciding how to deal with these watertight compartments, for they must not be examined in isolation. Each and every pocket that exists of the type indicated should be charted before reaching conclusions, and the team must look at the whole to eliminate duplication of function and of effort. Organizational boundaries must be disregarded entirely and an effort made to extract common information and seek out every possible means of integration.

When this process of analysing and marrying like factors has been completed, the team should examine every aspect of automatic data handling methods to see how best the information can be handled by ancillary equipment where it is found necessary to process the work away from the computer. It must be stressed, however, that if after close and thorough examination a satisfactory solution is not forthcoming, it is advisable not to try half-hearted methods. It may be that the pen or comptometer machine is still the best means of processing the information.

Planning Soundly

At an early stage in investigations of this nature, it is a good thing, where possible, to work to a plan of the procedure pattern that the team are endeavouring to achieve. It is partially for this reason why, at an early stage in the examination, it was suggested that the team should establish firm objectives which are the requirements of management. It is a good thing to work to an ideal, and although this can only be achieved in very broad terms, it is sound planning for any investigating team to have such a picture before them.

If, therefore, reference is made to the procedure pattern drawn of the existing organization, and from it an imaginative effort made to establish a cleaner pattern, which it was felt could only be achieved by the use of electronic devices, it is quite possible that a picture could be compiled as shown in Figure 3.

One aspect stands out on this chart probably more than any other, and that is the desirability of having, as far as possible, one main work flow, which may be called 'Process by electronic and ancillary devices'. The pockets of preparatory work which are necessary in order to prepare the data for handling by a computer are indicated clearly. These approximately

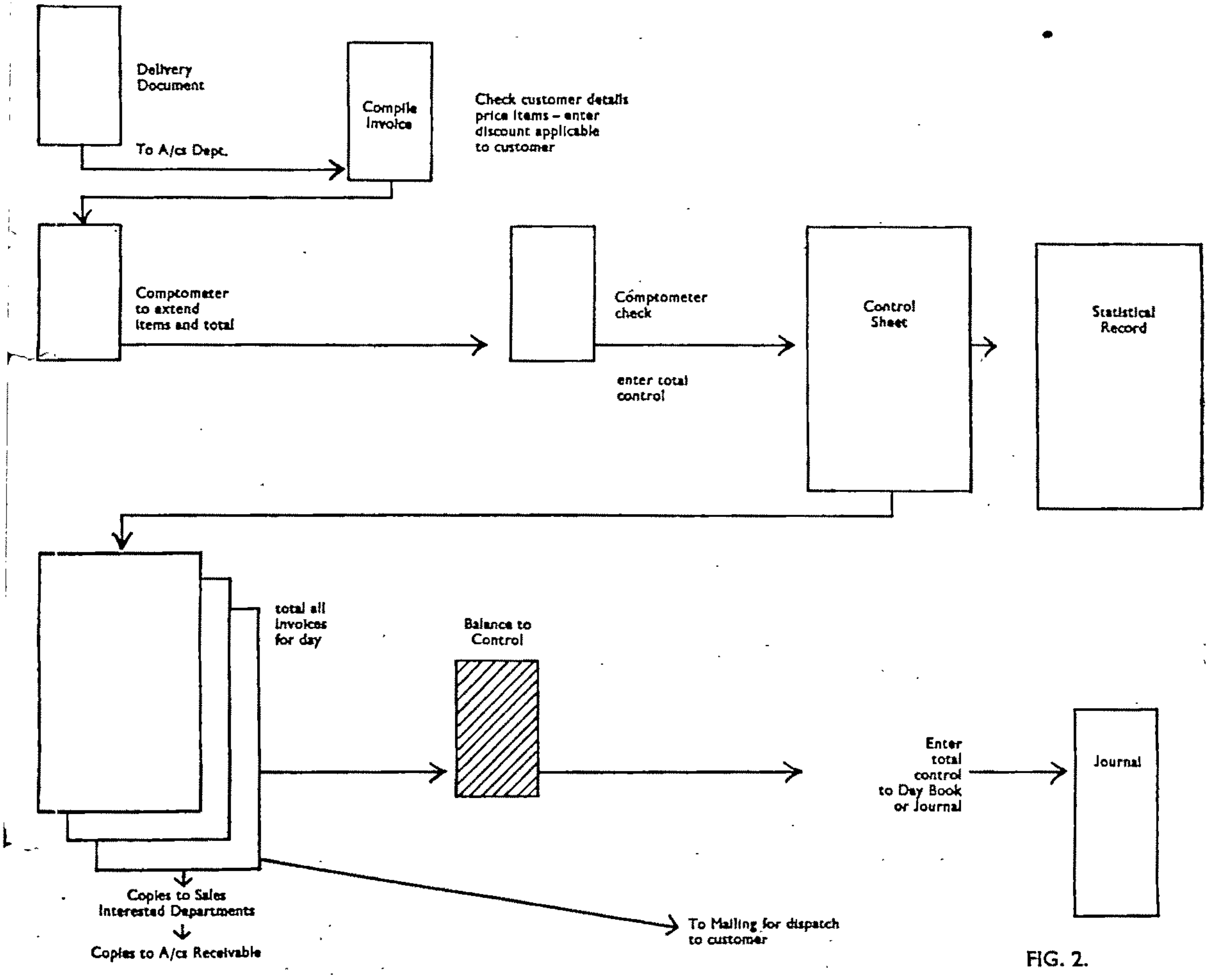
Delivery Document
To A/cs Dept.
Compile Invoice
Check customer details price items – enter discount applicable to customer
Comptometer to extend items and total
Comptometer check
enter total control
Control Sheet
Statistical Record
total all invoices for day
Balance to Control
Enter total control to Day Book or Journal
Journal
Copies to Sales Interested Departments
Copies to A/cs Receivable
To Mailing for dispatch to customer

FIG. 2.

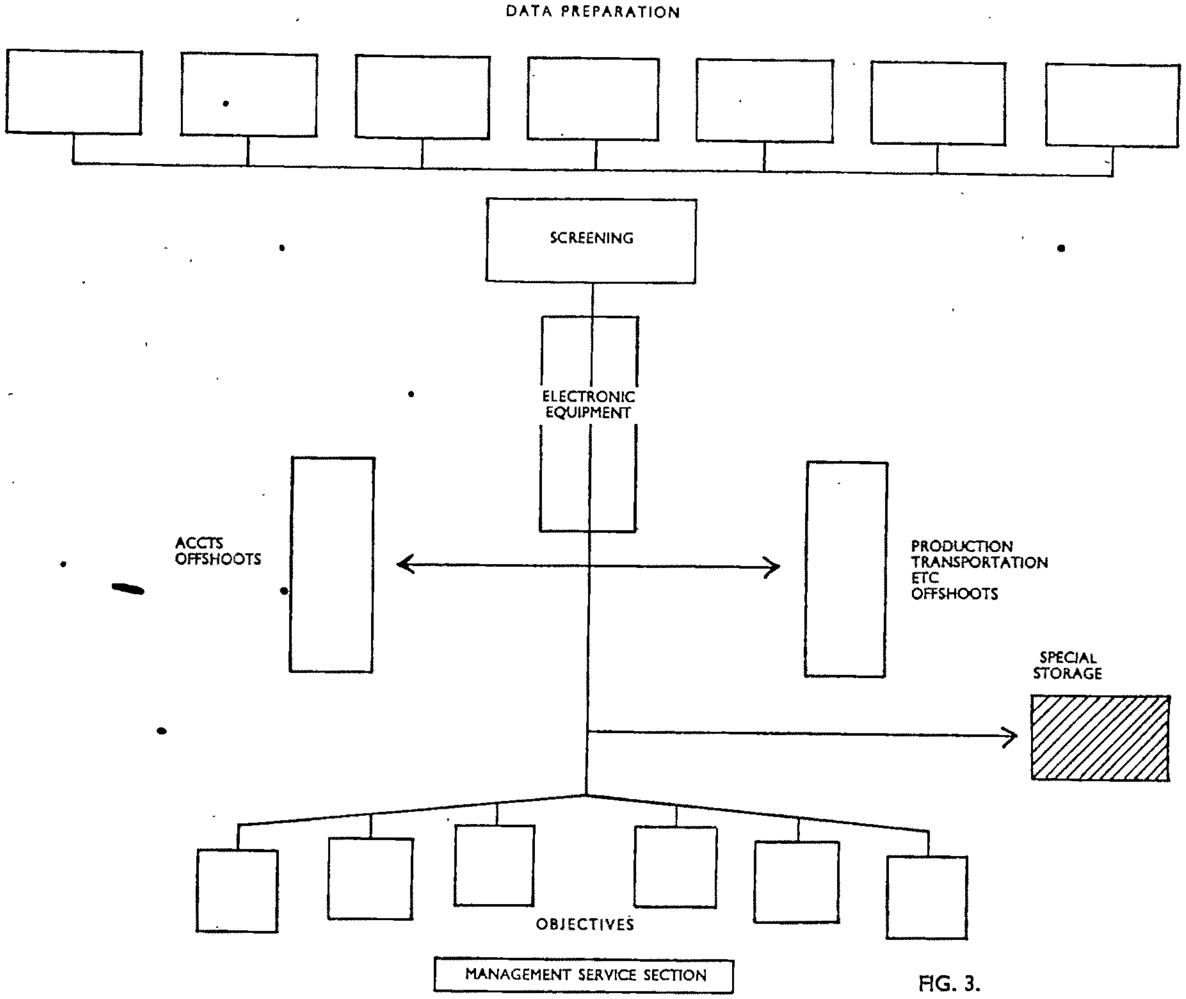

FIG. 3.

conform to the basic units of the original departmental organization, but the work flow is changed and leads to a main stream, the electronic units, and at the end emerge the objectives previously established with management.

This cleaner picture will reveal the possible changes to organizational boundaries, and whilst some form of departmental control must inevitably remain it will be observed that an effort is being made to achieve that re-shaping of the data handling methods of the company mentioned earlier. It should be explained, however, that the centre section under the title 'Electronic equipment' could embrace a number of small computers and/or punch-card machines. Also the data preparation pockets could well house punch-card equipment according to the nature and volume of work. A screening unit will also be observed, and experience has shown that this will be fundamentally necessary to all procedures leading to the computer, for it is essential that data is as accurate as possible before reaching the machine centre.

It will also be noticed that leading from the computers, and before the main objectives are produced, are the offshoots which cover standard accounting, production, transportation and statistical reports, which are satisfied as a result of working to the objectives. It should be mentioned that in order to satisfy these requirements, the investigation team must think in terms of an expansion of the basic data and of the coding required at source, so that as large a number as possible of the standing requirements can be satisfied from one main work flow.

At the end of the line is shown a management service section. This, of course, is something for the future, but resulting from this new approach, and new method of handling procedures and from the improved service it is hoped to provide, such a high level section can be visualized as necessary. It would provide not only a service to management, but act also in an advisory capacity. To do this the section would have a reasonable knowledge of the output produced by the computer, and would act as the liaison between future management requirements and the production of the job on the computer.

The organizational pattern required as the result of such a change can only be determined by management when they have fully examined the implications of the recommendations. It would, however, be foolish to suggest that such a vast change could be made immediately. It might never even be achieved, but it does at least indicate the plan to which a computer investigating team should work.

The strongest possible effort must be made to eliminate the criss-cross interdepartmental pattern of documentation that exists, and which clogs so many company procedures today. The computer investigating team may find that their best approach to this future pattern would be to re-shape and mechanize one or two streams then gradually absorb the remainder until they have achieved this cleaner and more streamlined pattern of the general work flow. Let it be recognized that this is a very long job, and would obviously take many years to complete in its entirety, and experience shows that a job of this nature is never really complete.

It must be said, however, that even though one or two streams may be mechanized first, unless the computer investigating team can reasonably determine the picture as a whole, difficulties may arise when deciding the type of computer best suited to the needs of the organization. If, as a result of the investigations, it is found that it would be an impossibility to achieve such a cleaner pattern of procedures, then it may be that electronic computers are not the type of machines the organization requires.

Charting the Detail

Various investigating groups will no doubt adopt their own methods for tackling this job, and providing they meet the requirements of the examination, there is a lot to be said for such a group using methods that they themselves have devised.

It has been found, however, that the columnar type of flow chart is very adaptable to this type of investigation. The chart used is necessarily a large one, and space will not allow the reproduction of such a diagram in this issue. This type of chart can best be described as being on a large form with columns (approximately twelve) equally spaced down the entire length of the form. The headings would be as follows, across the top of the sheet:

Department
Original documentation
Method of compilation
Clerical functions (allow two columns)
Comptometer/Adding machines/Desk calculators, etc.
Punched cards (sub-divided into Punching, Sorting, and Tabulating)
Reports issued
Automation (sub-divided into Data handling, Computer application)
Remarks

A form headed thus will enable the team to chart in block form the various routine movements that take place at present in a given procedure, and the flow chart should first be completed for all columns up to the stage of 'Reports issued'. As a particular routine is completed, it should be examined carefully for any computer applications that the team (by virtue of their experience) feel can be carried out. Each of these functions should be extended from its normal column to the 'Electronic computer' column, or if it is a case of a data handling job, then into the 'Automatic data handling' column, so that when a complete procedure has been examined, the charts can be placed together, and all the possible automatic computer functions of the procedure examined together. This should present a clear picture of just what can be handled by automatic data processing means and what applications can be placed on the computer. The procedure should be examined as a whole to see what functions can possibly be merged.

The team should now assume that all the blocks entered in the 'Data handling' column and in the 'Computer' column are, in fact, going to be handled that way, so that the functions embraced by these activities can be crossed out of the columns in which they were originally charted. What remains should be re-charted, making an effort to integrate any successive operations that could be handled as one job on the computer, or by one flow in a data handling method. Clerical functions also should be subjected to intensive examination. This is the critical re-examination mentioned earlier, and it must be carried out for each and every procedure, and is vital to the reconstruction of work flows.

Integration

When this has been completed for all main applications, then follows what is perhaps the most complex task of all, to examine the extent of integration which can take place between main procedures. This may force an expansion in the data preparation stage, in order to cover a number of requirements from one form. It is almost certain to lead to an expansion of the basic coding should a coding system already exist. This is the language by which the machines will recognize the information fed to them. Coding can be regarded as the most important aspect of a mechanized system and success will depend on the manner in which coding is designed and the accuracy with which it is applied. If an organization has a separate procedure for accounting detail and for statistical requirements, the possibility may exist of integrating both procedures as one application on the computer, which could have all the information necessary to satisfy the requirements or objectives established at the beginning of the examination.

Each and every procedure must be analysed to see just how these objectives are going to be fulfilled, and the aim must be to establish the shortest possible route between source and objective, indicating on the revised flow charts offshoots which must, of necessity, remain. These offshoots can then be taken into consideration in the planning of the main work flow which must be satisfied *as a result of working to the objectives*, in order to produce the most efficient scheme possible.

Job Charts

From this detailed examination and the production of revised and streamlined flow charts, job analysis charts can be prepared for the applications that are going to be carried out on the computer, commencing with the source documentation, noting the volume, the data handling methods, the computer applications, the offshoots to be satisfied and finally the road to the main objectives and the departments to which the various reports have to be rendered.

This individual job flow chart will enable the team to visualize and plan to the requirements of the new procedure. It will provide the details necessary for reporting to management on the proposed new method of handling procedures. It will be of assistance in measuring the economics of the new against the old, and show any savings that may be achieved. It will be difficult to show factual savings if procedures are merged and it is to be hoped that, providing the costs are reasonable and improved efficiency is assured, management will not expect any computer investigating team to be accurate or detailed in this matter of costing the new against the old. Management should be informed of the fringe benefits that may arise from computer applications, but this cannot be measured in terms of cost. It is impossible to estimate the possible savings in a manager's time as a result of the speedier presentation of information of a more selective type than previously enjoyed.

The Computer

When the team has examined the various computer applications shown on the final work charts, it would be beneficial to extract jobs and carry out factual exercises on different computers. This will tell the investigating group just what it means to organize a job for the computer and on the machine itself – providing experience in programming and designing suitable output. It will allow the merits of computers to be assessed, and assist in deciding the actual type required. This can, however, be a lengthy and costly process, so that careful selection of the jobs to be tried is necessary.

This is also the stage when the team are best able to measure the timing of the work on the computer, an important factor when assessing completed procedures. Input time, calculation and access times must all be studied, in order to evolve the speediest form of programme and obtain the quickest output. Times can be entered on the flow chart, and a reasonable estimate of procedure times as a whole calculated. Also the number of staff required at each stage must be assessed. This will be necessary for comparing with previous methods, and for planning the future, and to enable the economics of the recommendations to be reasonably calculated.

One conclusion to be reached by the team is where best to use the computer machinery envisaged. If a number of small computers are going to be installed, the timing of procedures and method of handling work all have a part to play in deciding the most effective positions for the various units. It is impossible to offer guidance on a decision of this nature, and perhaps the only useful comment that could be made is to be very careful before putting all your eggs in one basket.

Conclusion

The type of investigation to decide as to the feasibility of computers must be in great detail. Some will argue and say that a brief examination is sufficient, but is it possible to assess the type of computing machinery required unless a most detailed examination and searching inquiry into the company's procedures and organization is carried out?

Think for a moment what is going to lie beyond this if eventually a decision is made to use computers: the training of staff throughout the organization; the writing of new procedures for all work leading to the machines; re-designing forms; re-shaping the data handling methods and designing the right type of output where this involves the printing of finished reports; ordering the computer and the very lengthy task involved in writing programmes, and, of course, proving them. The proposals have to be implemented by running the procedures in parallel (where possible) so that the application can be checked against the old until satisfied that the old may be dropped.

There is no doubt at all as to the tremendous job involved in the installation of electronic computers, even if the work is broken down into very small stages, but it will be a smoother operation if the feasibility study has been carried out in great detail. If the study is not a detailed examination, when the time comes to install electronic equipment, the task may prove a difficult and complicated matter and there may well be a chance that immediate success will not be obtained. Do not underrate the magnitude of this job, for it is something that in the past has been completely underestimated. But if at the 'end of the road' the decision goes against electronic computers, remember that a great deal of good can be derived from this type of investigation. *All the more reason, therefore, to make the study in great detail, so that the company will benefit either way.*

Remember, the golden rule to be applied when planning mechanized routines is to let the procedures determine the type of computer. Do not choose a particular computer and plan the system to the machine, and perhaps a final word to the many investigating teams operating today – never be too busy to sit back and think.

ELECTRONIC COMPUTER EXHIBITION

Olympia, London, November 28th – December 4th

SOME EXHIBITS BRIEFLY DESCRIBED

THE entry of the electronic computer into the field of business management is of increasing interest to the profession, and the first Electronic Computer Exhibition which opens at Olympia, London, next Friday, will give accountants as well as business and industrial executives an opportunity of seeing the possibilities and practical use of such equipment in their own establishments. H.R.H. the Duke of Edinburgh is patron of the exhibition which has been organized by the Electronic Engineering Association and the Office Appliance and Business Equipment Trades Association at the instigation of the National Research Development Corporation. Concurrently with the exhibition there will be a Business Computer Symposium from December 1st to 3rd.

On Stand L26, E.M.I. Electronics Ltd will exhibit the *Emidec 1100*, a high-speed computer which provides a comprehensive data-processing system capable of handling anything from the clerical work of a medium-sized business concern to the more complex problems of commerce and industry. Employing a system of unit-construction, each section can be individually made and plugged in, to form a machine of considerable flexibility. Another digital computer, a unit of which is being exhibited, is the *Emidec 2400*. This equipment, it is claimed, is capable of scanning the entire information of the *Encyclopaedia Britannica* in less than four minutes. This computer can handle clerical work of the largest organization in the country. In a mail order company with two million accounts, for example, its fully integrated data control system would deal with all the invoicing, stock control, accounting, and would produce the standard letters used by the company requesting payment.

I B M United Kingdom Ltd, on Stand 34, are exhibiting four main types of equipment, bringing together a comprehensive range of their electronic data processing machines. Of particular interest and shown for the first time will be the *I B M 305 Ramac* (*Random Access Memory Accounting Machine*) which is a complete, compact data processing machine built round a disc memory unit having a storage capacity of five million digits. It will demonstrate the way in which all records relating to a single business transaction are automatically and immediately amended, and the method by which this system can be interrogated for any of the ten million characters of information contained in its disc memory. The machine can answer requests for stored information, and can be instructed to signal special conditions, such as when stock on a given item needs re-ordering. During the exhibition, typical reports – a customer's invoice, receipt for stock, a cheque and a remittance statement – will be produced. All of these will reflect changes which took place only minutes before.

The British Tabulating Machine Co Ltd make the 'whole picture' the theme of their display on Stands 6 and 7, when the computer as a business 'tool' will be presented. *Type 1201 Hec Computer* will be the major exhibit along with *Type 555 Hollerith Plugged-Programme Computer*. The latter has magnetic drum storage enabling it to carry out a lengthy series of arithmetical operations at the rate of 6,000 card passages per hour, regardless of the number of individual or associated calculations comprised in each card. The equipment will be seen operating day-to-day accounting and scientific work.

Apart from three of their latest computers, Burroughs Adding Machine Ltd, on Stand 28, are showing new types of keyboard machines for book-keeping accounting. An outstanding feature will be their new *Sensitronic Bank Book-keeping Machine* which, by using a technique of three narrow magnetic stripes on documents, enables many operations, such as the indexing of existing balances, to be done automatically. Also to be shown will be their *Sensimatic to-Tape* equipment. This series of machines will provide either punched-tape or punched-cards as a by-product of some conventional accounting operation, for input media to a computer, or to provide a means of automatic card punching by means of the punched-tape output being fed through a tape-to-card converter.

Elliott Brothers (London) Ltd are collaborating with the National Cash Register Co Ltd on one of the largest stands (35–43) at the exhibition. They are showing a large *National-Elliott 405* data processing system complete with data originating input and output equipment. The simplicity of this machine is demonstrated by its use in an invoicing routine. Only the minimum of information needs to be provided to the computer. It can make routine decisions whilst engaged on its task of mass-processing invoices, statements, etc.

Ferranti Ltd (Stand 10) are showing a comprehensive range of equipment for business and administration, industry and scientific research. Several new developments enable this range, covering clerical data processing and technical computing, to meet the needs of the large or the medium-sized organization. In addition, a number of new techniques are presented to assist the small organization by using a computer centre for perhaps only minutes or hours a week. *The Perseus* data processing system, a large-scale commercial system, will be shown in model form carrying out the basic office procedure of up-dating a file of information. The machine was specially designed for commercial work and incorporates many novel features, particularly in data conversion and checking. An unusual feature is that it can work in the currency and weights and measures systems of any country; time is not lost in converting them into a form normally necessary for a computer to understand. The complete system includes punched-card readers, magnetic tape and high-speed printing equipment. The Ferranti *Business Transactor*, not previously shown in Europe, has been developed as part of an airline seat reservation system. Cards marked in pencil are placed in a business transactor at each booking agency, and the information is automatically sensed and transmitted to a central computer; results obtained from the computer are returned and punched into the card in the business transactor.

Creed & Co Ltd (Stand 30), producers of teleprinters and punched-tape equipment, will be staging a display of this class of equipment with special emphasis on units for computer applications and data processing generally. Their new *Model 3000 Tape-Punch* is designed specifically for direct recording of computer output data. With tape-punching equipment, most computers can now feed out information at 300 words a minute. It is claimed that this machine can read out at a rate of 3,000 words a minute.

A new type of output printer, still in the experimental stage, will be shown by Rank Precision Industries Ltd (Stand 48). The experimental model shown will print 1,500 lines a minute, but the intention is to increase this to 3,000 lines a minute. By coding certain instructions or orders in the input, the layout of data on the form may be arranged as desired. The system used is xerography – electronic printing without moving mechanisms such as type bars. This printer works either from the computer's output recorded on magnetic tape or straight from the computer's buffer store. A beam of electrons writes the letters and figures on an ordinary cathode ray tube, and they are instantly copied by xerography.

The *Mathieu machine*, an electronic high-speed guillotine for separating continuous stationery from both reel or stacks, will be shown at the exhibition. The guillotine, which can accept forms up to 19½ in. wide, can separate them at a rate of up to 8,000 per hour, depending on length, which can be varied from a few inches up to 24 inches. The required length is controlled by a built-in photocell. The makers claim that the guillotine can cope with the output of several electronic computers, tabulators and similar office machines; it will be shown in this capacity on Stand 14 by Powers-Samas.

The Institute of Chartered Accountants in England and Wales

RECOMMENDATION ON ACCOUNTING PRINCIPLES, No. 19

Treatment of Income Tax in Accounts of Companies

Reproduced below is the full text of a new Recommendation issued by The Institute of Chartered Accountants in England and Wales which the Council hopes will be helpful to members. It will obviously be studied with interest by all of our readers. The Recommendation deals with the main accounting problems arising from the present basis of assessment to income tax, although there are appropriate references to profits tax in Sections III, IV and V.

The new Recommendation replaces Recommendation 1 (1942) and Recommendations 3 and 4 (1943) amplified in 1947 by an Institute statement dealing with initial allowances and amended by paragraph 80 of the Institute's booklet on the Companies Act, 1948. The Recommendation also deals with investment allowances on which the Council issued a statement in 1954.

I. Requirements of the Companies Act, 1948

(1) In relation to the treatment of tax in accounts of companies the specific requirements of the Companies Act, 1948, are:

(*a*) to state by way of note on the balance sheet (or in a statement or report annexed) if not otherwise shown, the basis on which the amount, if any, set aside for United Kingdom income tax is computed (paragraph 11 (10), Eighth Schedule)

(*b*) to show in the profit and loss account the amount of the charge for United Kingdom income tax and other United Kingdom taxation on profits, including, where practicable, as United Kingdom income tax any taxation imposed elsewhere to the extent of the relief, if any, from United Kingdom income tax and distinguishing where practicable between income tax and other taxation (paragraph 12 (1) (*c*). Eighth Schedule)

(*c*) to state in the profit and loss account by way of note, if not otherwise shown, the basis on which the charge for United Kingdom income tax is computed (paragraph 14 (3), Eighth Schedule).

II. Basis of the Charge and of Amounts Provided and Set Aside for Income Tax

General considerations

(2) The accounting year of very few companies ends on April 5th and thus the accounting periods of the majority of companies fall partly within one income tax year and partly within another. Before the

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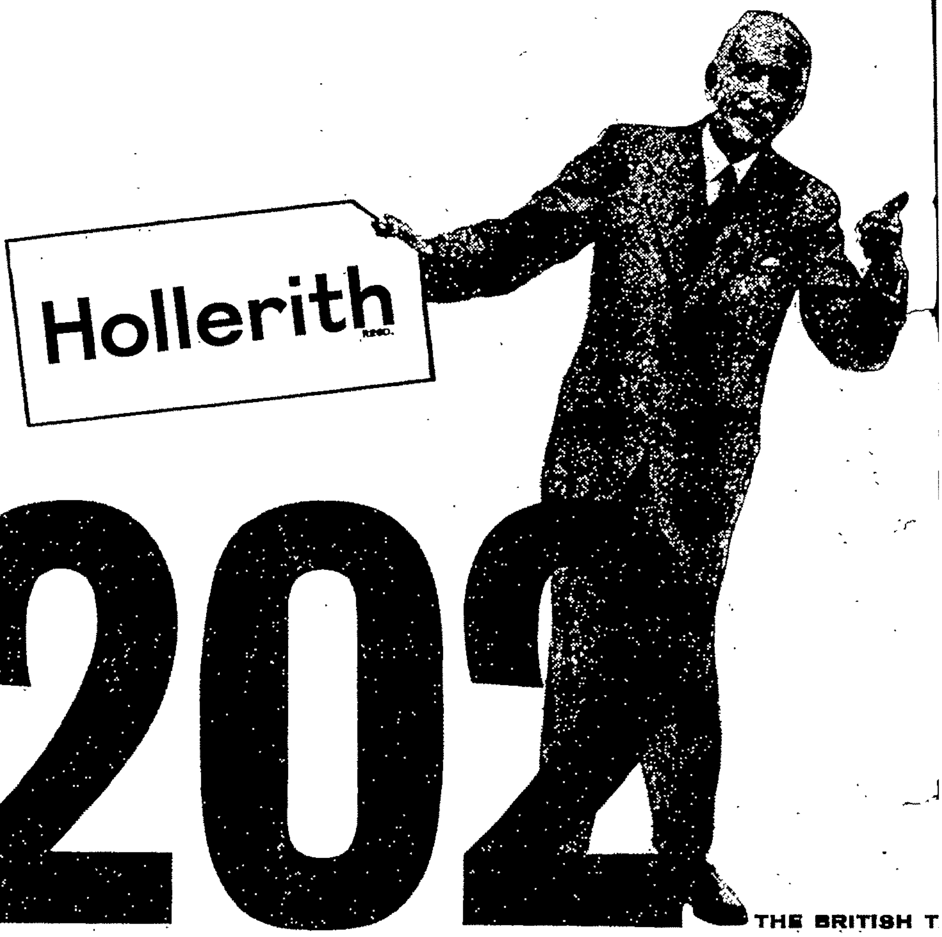

1202

THE BRITISH T

usiness and industry

Progress report on use of computer for production control.

Commencing operations on August 11th, this year, a Hec Electronic Computer quickly completed its first task of absorbing all the control information relating to the Hollerith No. 1B Factory at Letchworth. This computer is now engaged on taking over the responsibility of providing all the necessary information required for the day-to-day operation of controlling production in this factory. This is the first computer-controlled production unit in the United Kingdom.

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- **A progress report on many of the Hollerith computers already installed is included in issue No. 100 of "The Tabulator". This, with another new publication, "Production Control by Computer", will be available after Nov. 28th. Write and ask for copies.**

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* *Extract from 'A case study of commercial electronic data processing' by the General Office Manager and the Chief Programmer of Boots Pure Drug Co. Ltd.*

E.E.7

more general adoption of the practice of basing the charge for income tax on the profits earned during the period covered by the accounts, as recommended by the Council in 1943, the common (though not universal) practice was to calculate the income tax charge in the profit and loss account by apportioning between accounting periods, on a time basis, the tax assessed for the two income tax years falling partly within the accounting year. Such a calculation produced a charge which was not, except in the opening or closing years of a business, based in any way on the profits of the accounting year for which the calculation was made. Another result was that no amount was included in the balance sheet for income tax other than the amount provided for income tax due for payment at the date of the balance sheet and any amount accruing, but not due for payment at that date, in respect of the income tax year in which the balance sheet date fell.

(3) For a continuing business the foregoing procedure came to be regarded as unsatisfactory. A calculation on an apportionment basis may be all that is strictly necessary, since it results in a company including in its balance sheet the minimum amount which must be provided in respect of income tax and in charging the minimum amount of income tax against its accumulated profits to date. On the other hand, although income tax is based on profits, the amount included in the balance sheet specifically for income tax under this procedure does not cover all income tax based, or to be based, on profits to date; also, the profit and loss account shows a charge for income tax which is not based on the profit shown in that account. There is therefore not necessarily any relationship between the income tax charge and the profit. If the charge is based on a period when profit was lower, it will not indicate the full tax burden to which the current profit will later give rise. If the charge is based on a period when profit was higher, it will represent a burden in excess of that relevant to the current profit; indeed the profit may be insufficient to cover the charge.

(4) In recent years it has become general practice to remedy the unsatisfactory features of the apportionment method by charging in the profit and loss account the estimated amount of income tax which will be based on the profit of the year and by maintaining amounts provided or specifically set aside for current income tax liabilities and those subsequently arising based on profits to date.

(5) The treatment described in the preceding paragraph, if adopted by a new business, may create difficulties because the law requires a transition in the early years of a business from the 'actual' basis of assessment to the 'preceding year' basis and thus requires the profit of one of the early years to be used as the basis of assessment for more than one year. As a result amounts required to be set aside to cover the income tax liabilities which will be computed by reference to the profits of the early years of a business will be out of proportion to the profits of those years. In such circumstances it may be desirable in each year to charge one year's income tax based on the profit of that year and also to set aside an additional amount until the company has set aside sufficient to cover all income tax based, or to be based, on profits to date.

(6) A similar difficulty may arise if any established company which has hitherto adopted the apportionment method wishes to change to the method described in paragraph 4. Such a company may have existing reserves, including unappropriated profits, from which it can transfer an amount to meet the assessments to income tax based on profits of earlier years. If the existing reserves are insufficient then it will be desirable to set aside an additional amount in each year until there is sufficient to cover all income tax based on profits to date.

Amount to be shown as income tax liability

(7) There is no universally accepted method for calculating the amount to be shown in the balance sheet as the liability for income tax. In accordance with paragraphs 2 and 3 above the minimum amount which a company must provide in respect of income tax is any income tax due for payment at the date of the balance sheet and any amount accruing, but not due for payment at that date, in respect of the income tax year in which the balance sheet date falls. Such accruing amount would be calculated on the basis of a day-to-day accrual of the income tax assessed for the income tax year in which the accounting year ends. There is no legal requirement for a company to include any greater amount as a liability for income tax at the balance sheet date; nevertheless there are in certain circumstances practical objections if a company treats as a charge in its profit and loss account only income tax accruing on a day-to-day basis to the balance sheet date. For example, if the balance sheet date is January 31st the full liability for the current income tax year would require to be provided (if unpaid) but many would regard it as unrealistic to carry forward, as a prepayment, tax in respect of two months. Again, if the balance sheet date is December 31st, many regard it as unrealistic to provide only three-fourths of the current income tax year's liability since on the day after the balance sheet date, namely January 1st, the whole of the income tax liability in respect of the current income tax year would become payable.

(8) These and other considerations have led to a practice commonly followed of including as a liability the whole amount of the income tax payable in respect of the income tax year in which the accounting year ends. On the other hand some companies which base the income tax charge in their profit and loss accounts on the profit of their accounting year but whose accounting year ends in the early months of the income tax year nevertheless consider it more appropriate to include as a liability only the proportion of the income tax liability for the current tax year accrued to the accounting date.

Future income tax (other than tax deferred by capital allowances)

(9) There is also no universally accepted practice in describing and setting out amounts specifically set aside for future income tax. An amount set aside to meet future income tax is not, at the date of the balance sheet, a liability and accordingly cannot be a 'provision' as defined in the sense in which that word is used in the Companies Act. Some companies therefore treat these amounts as specific reserves and group them with reserves in their balance sheets; an increasing number of others show them separately under descriptions such as 'Amounts set aside for future income tax' without attaching the description of reserve or aggregating them with their reserves. The latter procedure has manifest practical advantages, especially that of separating reserves which are within the free disposition of the company from amounts which will normally be payable at some future date unless the company ceases business or incurs losses.

(10) Further, there is no universally accepted practice for determining the amount to be shown as future income tax. Apart from any amount set aside (as a separate item) in accordance with paragraph 31 below (which deals with tax deferred by capital allowances) the maximum amount which can fairly be stated to be set aside specifically for future income tax is the estimated income tax which will be payable under assessments based on profits to date, but excluding any amounts properly grouped with current liabilities.

Conclusion on foregoing paragraphs

(11) These differences of practice are inevitable while income tax assessments have to be computed on a preceding year basis and are payable on fixed dates prior to the end of the income tax year. The Council is of the opinion that in all the circumstances the best solution of this difficult problem is to follow the procedure recommended in paragraphs 12 to 15 below.

RECOMMENDATIONS

(12) While the apportionment method referred to in paragraph 2 above is not incorrect, the following method of dealing with income tax in the profit and loss account is recommended in preference to it:

(*a*) the charge for income tax should be based on the profit of the year and should be so described

(*b*) any material adjustment in respect of amounts charged in previous years should be shown separately

(*c*) new companies should preferably set aside from profits an additional amount, to be shown separately, for or towards the balance of the tax payable for the current and following income tax years until all income tax based on profits to date has been set aside

(*d*) companies whose practice has been to charge only the accrued proportion of the current year's assessment should preferably set aside from current or accumulated profits an additional amount, which should be shown as a separate item, for or towards the balance of the tax payable for the current and following income tax years until the full amount to cover all income tax based on profits to date has been set aside.

(13) The balance sheet should show by note or otherwise the basis on which the amounts included for income tax have been computed; if the full amount of income tax which is expected to be payable by reference to all profits to date is not set aside that fact should be made clear.

(14) Amounts set aside for future income tax (apart from amounts set aside because depreciation and capital allowances differ) should consist only of:

(*a*) any amount set aside in respect of the estimated tax payable for the income tax year commencing after the balance sheet date, and

(*b*) the proportion of the current year's income tax for the period from the balance sheet date to the following April 5th, if the amount included under current liabilities is calculated by the day-to-day accrual method described in paragraph 7.

(15) Amounts set aside for future income tax, whether described as reserves or not, should be shown separately and should preferably not be aggregated with reserves. Income tax assessable for any income tax year commencing after the balance sheet date should not be grouped with liabilities.

Income taxed at source and under Schedule A

(16) The fact that some income of a company may be received after deduction of United Kingdom income tax (for example, investment income, ground rents, royalties, or rent from which Schedule A tax has been deducted) arises merely from the statutory procedure for the collection of income tax and ought not to affect the manner in which information is presented in the accounts. This applies to dividends described as 'free of tax' or as 'without deduction of income tax' as well as to other income taxed at source. Income tax so deducted, or deemed for tax purposes to have been deducted, forms part of the taxation charge to be shown in the profit and loss account.

RECOMMENDATIONS

(17) Dividends, interest and other income should be brought to credit gross and should therefore include income tax suffered by deduction, or deemed for income tax purposes to have been suffered by deduction, on such income. The relative amount of income tax should be included as part of the charge for income tax for the year.

(18) Income tax assessed under Schedule A and not recovered by deduction from rent paid forms part of the income tax charge of the paying company and should be included in the charge for income tax.

Annual charges

(19) Income tax deducted by a company when making a payment of debenture, loan or note interest, royalties and other annual charges, is in effect assessed on the company as a means of collection from the payee. The expense of such annual charges to the company is the gross amount, whatever the division of the payment between the payee and the Inland Revenue.

RECOMMENDATION

(20) Debenture, loan and note interest, royalties and other annual charges payable under deduction of income tax should be charged gross in the profit and loss account.

Dividends payable

(21) Apart from special features relating to overseas trade corporations, the payment of a dividend, whether declared as 'subject to income tax', 'less income tax' or 'free of income tax', does not affect the amount of income tax payable by a company. The company is assessed on its profits as adjusted for income tax purposes irrespective of dividends declared and is not accountable to the Inland Revenue for the tax deducted, or deemed to have been deducted, therefrom.

RECOMMENDATION

(22) The amounts shown in the accounts in respect of dividends paid or payable should be the net amounts, whether they are declared as 'subject to income tax', 'less income tax', or 'free of income tax'.

Claims for relief under Section 341, Income Tax Act, 1952, in respect of trading losses

(23) When a trading loss (as adjusted for tax purposes) has been incurred a claim may be made under Section 341 and in practice relief may be obtained either by way of repayment or by reduction or cancellation of an income tax liability. The taxpayer has the choice of making a claim under this section or of obtaining relief for the loss in some other manner. The relief under Section 341 may be given either against income tax paid or due in respect of some other source of income, or against the liability assessed for the year in which the loss was incurred on profits earned in the same trade, or by repayment of tax suffered by deduction at source from income such as dividends and interest. If the trading loss is smaller than the total taxable income (including the profit assessed for that year in respect of the same trade) less any charges, the relief can be obtained in that fiscal year for tax on the full amount of the loss; if the trading loss exceeds the total taxable income less charges, the immediate relief is limited to tax on this amount and the balance of the loss is normally carried forward.

(24) If a trading loss has been incurred the relief which will be received under Section 341 is in some cases dealt with in the profit and loss account for the same year; in other cases it is not dealt with until the year in which the claim is settled. In the latter event no credit is taken in the accounts for the year in which the loss was incurred for the claim which the company has the right to make. This right exists whether or not it is intended to exercise it but at the date when the accounts are presented the claim may be a matter of intention only and the intention may be reversed because of a subsequent change in the standard rate of income tax or for some other reason.

RECOMMENDATION

(25) A company which bases its charge for income tax on the profit of the year should adopt the procedure described below when it incurs a trading loss entitling the company to relief under Section 341:

(*a*) *If income tax relief under Section 341 is dealt with in the accounts for the year in which the trading loss is incurred:*

- (i) where the relief obtainable under Section 341 is less than the tax on income from other sources the charge for income tax should be shown after taking relief into account and should be described as income tax based on the profit of the year
- (ii) where the relief obtainable under Section 341 exceeds the tax on income from other sources the excess should be shown as income tax recoverable
- (iii) the amount of income tax recoverable should be treated in the balance sheet by set-off, either as a deduction from current liabilities for tax or from amounts set aside for future tax as may be appropriate, or as an asset reduced where appropriate by current liabilities for tax or by amounts set aside for future tax.

(*b*) *If the income tax relief under Section 341 is not dealt with in the accounts for the year in which the trading loss is incurred:*

- (i) in the accounts for the year in which the trading loss is incurred an indication should be given, if the amount is material, that no credit has been taken for the potential income tax recovery under Section 341
- (ii) when the relief is brought into the profit and loss account in a subsequent year it should be disclosed separately as an adjustment relating to a previous year.

III. Relation of Charges for Income Tax and Profits Tax to Profits

(26) The treatment of income tax in the manner recommended in paragraph 12 (combined with the fact that for profits tax the latest chargeable accounting period ends on the accounting date) will not necessarily ensure that an adequate amount is set

aside for tax payable in the future on profits to date or that the profit and loss account shows a tax charge which is appropriate in relation to the profit of the year. The reason for this is that there may be material differences between the treatment of items for accounting purposes and their treatment for tax purposes; in particular, the amounts charged for depreciation in accordance with Recommendation 9 may differ from the capital allowances for tax purposes and this difference may involve substantial deferment of tax liability.

(27) There are various reasons why capital allowances differ from depreciation charges and therefore affect the relation of the tax charge to the profit of the year. These reasons include the claiming of initial allowances, which have the effect of reducing future annual allowances; the incidence of balancing charges and balancing allowances; the fact that there are usually differences between the rates of and methods of calculating annual allowances as compared with those used for calculating depreciation; the granting of investment allowances, which give relief in addition to normal capital allowances; and the fact that there are some assets for which depreciation or amortization is provided but which do not attract capital allowances (for example, commercial buildings and leases) and some for which the capital allowances are based on a smaller amount than the depreciation provisions (for example, industrial buildings and assets which have been written up on a revaluation).

(28) The foregoing and other matters are considered in more detail in the following paragraphs. It is desirable to bear in mind that, with the exception of circumstances where special considerations arise, the object of capital allowances (other than investment allowances) is basically the same as that of depreciation provisions, namely to write-off the cost of an asset, less its residual value, over its useful life. Material differences between the way in which this is achieved in the accounts and the way in which it is dealt with for tax purposes therefore need to be considered to determine whether an adequate amount has been set aside for tax and whether the tax charge in the profit and loss account is appropriate in relation to the profit of the year.

Tax deferred by capital allowances

(29) The result of obtaining initial allowances is to defer to subsequent years a part of the tax which would otherwise be payable on the profit of the year. The Council issued a statement on the subject in 1947 and a practice subsequently developed of setting aside and spreading over a period of years the temporary tax benefit resulting from initial allowances. Under this practice capital allowances including initial allowances are compared with the capital allowances which would have been granted if no initial allowances had been granted either for the year under review or for preceding years. This comparison discloses the amount on which tax has been deferred by initial allowances; and tax on this amount is set aside to meet, when payable, the tax so deferred.

(30) Some companies have extended the principle underlying the foregoing practice in order to take into account the fact that temporary tax benefits (and therefore deferment of tax liability) may result from capital allowances (other than investment allowances) taken as a whole and not merely when initial allowances are obtained. This extension, which is simpler to operate than the procedure confined to initial allowances, is achieved by maintaining the total set aside for tax deferred by capital allowances at an amount equal to income tax and profits tax on the excess of:

(*a*) the net amount at which the relevant fixed assets are stated in the balance sheet (excluding any part which does not attract capital allowances because of a revaluation of assets or other reason) over

(*b*) the amount to which they have been written down for capital allowance purposes by allowances which have been effectively used in computing amounts charged or set aside for income tax.

If there is no such excess then no amount requires to be set aside.

RECOMMENDATIONS

(31) If material, the amount of tax deferred by capital allowances should preferably be set aside and shown in the balance sheet, with appropriate description, as a separate item which may be grouped with 'future tax'. An amount so set aside should represent tax at current rates on the excess of –

(*a*) the net amount at which the relevant fixed assets are stated in the balance sheet over

(*b*) the written-down value of those assets for capital allowance purposes.

In making this calculation the net amount at (*a*) should where applicable be adjusted to eliminate any part of the amount which does not attract capital allowances because of a revaluation of assets or other reason; and the written-down value at (*b*) should where applicable be increased by an amount equal to any capital allowances which have not been effectively used in computing amounts charged or set aside for income tax.

NOTE: The question of assets which do not attract capital allowances, or which attract capital allowances based on a smaller amount than that on which the depreciation provisions are based, is dealt with later in paragraphs (41) and (42).

(32) Where the practice recommended in the preceding paragraph is adopted:

(*a*) the amount to be dealt with in the profit and loss account each year (to increase or reduce the amount set aside) will be the difference between the amount of tax deferred by capital allowances at the end of the accounting period and the amount so deferred at the beginning of the period. This increase or decrease for the year may properly be taken into account in arriving at the tax charge of the year and if the effect is material the description of the basis of the tax charge should indicate the course followed and, if necessary, the amount involved

(*b*) if a change in rates of tax affects materially an amount already set aside for tax deferred by capital allowances the fact that there is a special adjustment to the amount set aside should be disclosed.

(33) When an established company sets aside for the first time an amount computed as in paragraph 32 (*a*) there should also be set aside, from accumulated profits or if necessary from current profits, an additional amount, which should be disclosed, for or towards tax deferred by capital allowances in previous years.

(34) Where the practice of setting amounts aside for tax deferred by capital allowances is not adopted:

(*a*) there should be indicated the extent, if material, to which depreciation will require to be provided in the future without relief from tax, and

(*b*) the effect of capital allowances which have materially distorted or even extinguished the tax charge should be indicated.

Investment allowances

(35) Investment allowances are essentially a tax relief and not a reduction in the capital cost of the assets to which they relate. It would therefore be inappropriate for the tax relief on investment allowances to be deducted from the cost of the assets instead of being deducted from the taxation charge. The effect of deducting the relief from the cost of the assets shown in the balance sheet would be to overstate the taxation charge in the profit and loss account, the amount of the overstatement being in effect what would otherwise have to be provided as depreciation over the life of the assets.

(36) The desirability or otherwise of transferring to reserve the tax relief on investment allowances is a matter of financial policy.

(37) Unlike initial allowances, investment allowances give relief additional to the ordinary capital allowances and it is therefore appropriate to treat the tax relief on investment allowances as a reduction of the tax charge in the profit and loss account; similarly tax arising on the withdrawal of an investment allowance requires to be treated as an addition to the tax charge. The 'spreading' procedure already referred to, of setting aside an amount in respect of tax deferred by capital allowances, is not appropriate in relation to investment allowances.

(38) Nevertheless there is no immediate certainty that an investment allowance will not be withdrawn. Under the provisions of the Second Schedule to the Finance Act, 1954, the possibility of withdrawal must always exist for a period of three years (or in certain circumstances five years) from the date on which the expenditure was incurred. The making of any reference in the balance sheet to the possibility of withdrawal of investment allowances of material amount is a matter for determination in the circumstances of each case. Where (as will normally be the case with plant and machinery, buildings and similar industrial assets) there is no intention of disposing of the assets within the period specified in the Act, then the withdrawal provisions will not need to be taken into account for balance sheet purposes.

(39) Where an asset has been disposed of within the specified period in circumstances which do not require the investment allowance to be withdrawn, the provisions of the Second Schedule are such that the allowance may nevertheless be withdrawn at a later date as a result of circumstances over which the vendor has no control. If there has been such a disposal it is therefore necessary to consider whether there is a contingent liability for subsequent withdrawal of the investment allowance, if the amount is material.

RECOMMENDATION

(40) The tax relief on investment allowances should not be deducted from the cost of the assets; it should be treated as a reduction of the tax charge in the profit and loss account. The extent to which the income tax and profits tax charges are affected should be stated if the tax relief, or the tax arising on the withdrawal of investment allowances, is material.

Depreciation to be provided out of taxed profits

(41) Paragraphs (29) and (34) deal with the question of tax which will have to be borne in future but is at present deferred by capital allowances. Another matter for consideration is the position where depreciation must be provided out of taxed profits because there are assets which, though requiring provisions for depreciation or amortization in the accounts, either –

(*a*) do not attract capital allowances, or

(*b*) attract capital allowances based on a smaller amount, for example where there has been a revaluation of assets or where an industrial building is purchased for an amount in excess of that on which capital allowances (based on cost of construction) will be obtained.

RECOMMENDATION

(42) Where depreciation or amortization is provided to a material extent on assets which do not attract capital allowances, or which attract capital allowances based on a smaller amount than that used for calculating the provisions, the position should be disclosed clearly in the accounts and there should be indicated the extent, if material, to which the depreciation or amortization will have to be provided in the future without relief from tax.

NOTE: The information required by the foregoing recommendation may, where applicable, be combined with that required under paragraph (34) (*a*).

Other special factors and items of an exceptional or non-recurrent nature

(43) The tax charge may be distorted in relation to profits by factors such as relief for past losses, the carrying forward of losses in preference to claiming relief under Section 341 of the Income Tax Act, 1952, the allowance for tax purposes in one year of expenditure charged against provisions made in previous years, and the treatment for tax purposes on a 'renewals' basis of assets on which depreciation is provided in the accounts. In the same way tax chargeable on future profits may be substantially reduced or even eliminated for some years by reason of expenditure, such as pension fund lump-sum payments, available for carry forward against future assessments to tax.

(44) The result of the year covered by the accounts may take account of items of an exceptional or non-recurrent nature which have to be disclosed to comply with paragraph 14 (6) of the Eighth Schedule. If such items have been taken into account in computing the profit of the year upon which the tax charge for the year is based, tax charges or tax reliefs relative thereto will be incorporated in the total tax charge for the year. In some cases exceptional or non-recurrent items of a material amount may not have been taken into account in the profit and loss account before arriving at the 'profit before taxation'; in order to show the tax which is appropriate to the amount shown as profit of the year it is desirable in such cases to show as separate adjustments to the items of profit or loss concerned the relevant tax charges or tax reliefs.

(45) A provision for expenditure to be met in the future and not allowed for tax purposes in the year in which the provision is made (such as instalments payable to a pension fund in respect of back service) is sometimes computed after taking into account potential tax saving.

RECOMMENDATIONS

(46) The net effect of special factors which have materially distorted, whether upwards or downwards, or even extinguished the tax charge should be indicated.

(47) If any reference is made in accounts to the potential tax saving expected from items which may reduce substantially or even eliminate tax chargeable on future profits it should be made clear that the potential tax saving is dependent upon future profits against which such items can be utilized.

(48) Where exceptional or non-recurrent items are not taken into account before arriving at 'profit before taxation' the effect of these items on the amount shown in respect of tax should be considered; where appropriate the relevant tax charges or reliefs should be shown as separate adjustments to the respective items.

(49) If a provision for expenditure to be met in the future is computed after taking into account potential tax saving the fact that it is so computed should be made clear.

IV. Subsidiaries Controlled and Trading Overseas

(50) Where a holding company has overseas subsidiaries which are not regarded as controlled in the United Kingdom for tax purposes and do not trade in the United Kingdom, the consolidated accounts of the group may include profits retained overseas by those subsidiaries which could not be transferred to the holding company without incurring charges to tax additional to those provided in the accounts. This position arises because United Kingdom income tax and profits tax (after appropriate double tax relief) only become chargeable on the declaration of a dividend by such subsidiaries. A similar position also arises where there are local distribution or remittance taxes which are payable before the profits can be transferred to the United Kingdom.

(51) Where these circumstances apply it is necessary to give in the consolidated accounts some indication of the limitation which tax imposes upon the availability to the parent company of the overseas profits and reserves brought into the consolidated accounts.

(52) Although it may be possible to state the aggregate of the profits retained overseas by the subsidiaries the significance of the aggregate will normally be invalidated if the profits have suffered overseas taxation giving rise to double tax relief and a misleading impression may be given of the net tax involved upon remittance of the profits. Similarly, it may not be possible to state the amount of the tax involved. It is therefore necessary to consider how attention should be drawn to the fact that on distribution the retained profits would be subject in some cases to overseas distribution taxes and to United Kingdom income tax and profits tax.

RECOMMENDATION

(53) When consolidated accounts include profits and reserves of subsidiaries controlled and trading overseas which on distribution as dividends to the holding company would be subject to:

(*a*) overseas distribution taxes (if any), and
(*b*) United Kingdom income tax and profits tax (after appropriate double tax relief)

then such observations as may be appropriate should be given by way of note or otherwise in regard to the tax position if the tax resulting from distribution would be material. Similarly, information should be given regarding the charge for tax on the profit of the year where a material amount of profit has not been subjected to United Kingdom tax. The tax charge of the year should be suitably described.

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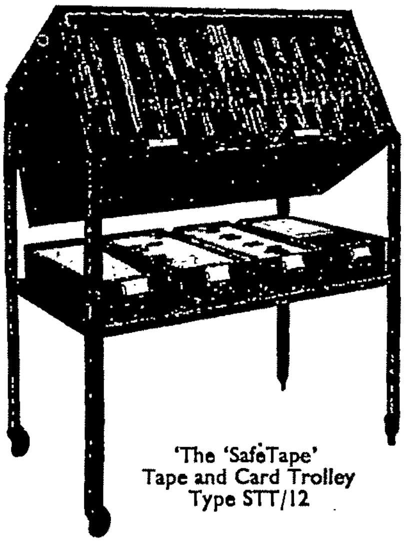

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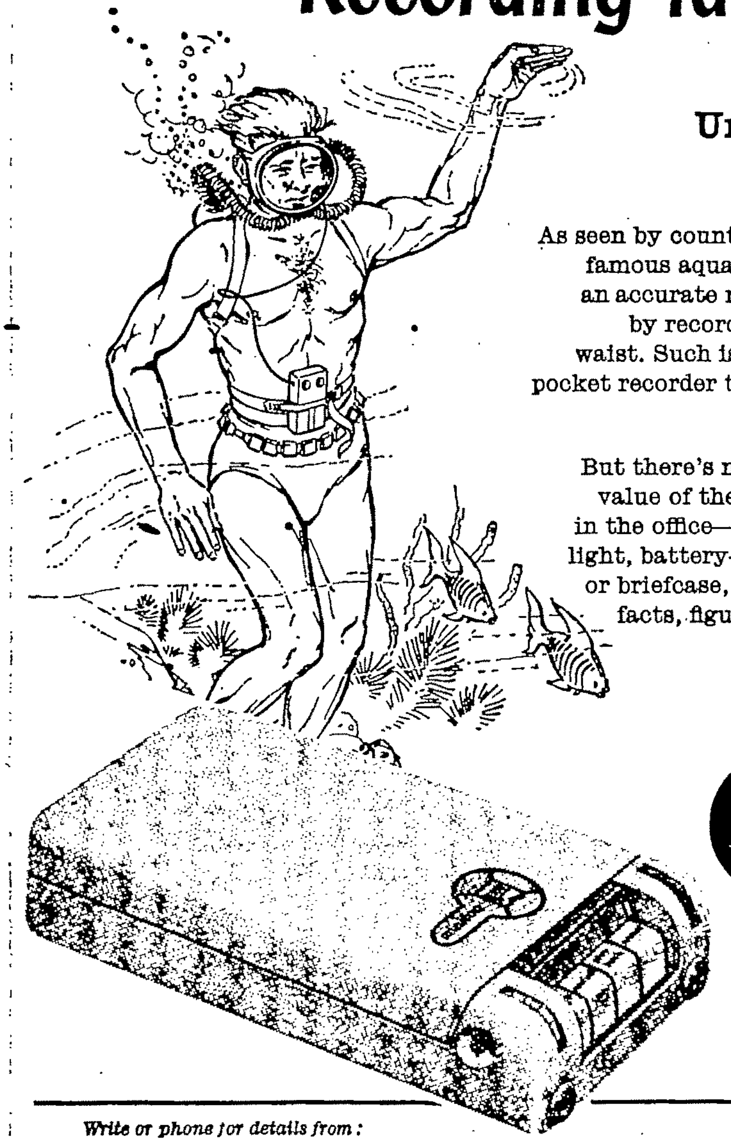

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V. Overseas Trade Corporations

(54) By the provisions of the Finance Act, 1957, the trading income arising to an overseas trade corporation is normally excluded from the charge to United Kingdom income tax and profits tax. Income which is not regarded as trading income (in the Act termed 'investment income') remains subject to United Kingdom income tax and profits tax in the normal way.

(55) As legislation permitting certain companies to qualify as overseas trade corporations was enacted for the first time in 1957 there has as yet been little opportunity to develop any generally accepted practice in regard to the treatment of income tax in accounts of such corporations; it is therefore too early to attempt to formulate recommendations covering all the points which may arise in practice. The matters referred to in the two following paragraphs will however require consideration when the accounts of an overseas trade corporation are being prepared.

(56) The charge for United Kingdom tax (subject to double tax relief) in the accounts of an overseas trade corporation will be computed by reference to the 'investment income' and the 'distributions' of trading income and not by reference to the total income of the year. The tax arising on 'distributions' is assessable for the fiscal year in which the 'distributions' are due, but if 'distributions' are provided for in the accounts the relative tax will need to be classified in those accounts as a current liability notwithstanding that the 'distributions' may be due in a subsequent fiscal year.

(57) The accounts of overseas trade corporations and of certain former overseas trade corporations will normally contain, as part of the retained profits, exempt trading income which at the date of the accounts has been excluded from the charge to United Kingdom income tax. The consolidated accounts of a group with one or more overseas trade corporations may also include retained profits which have likewise been exempted from United Kingdom income tax. It will be necessary to draw attention to the possibility that United Kingdom income tax (subject to double tax relief) may arise on such retained profits in the future; the method of doing this and the procedure for dealing with this tax when it arises therefore need consideration.

VI. Surtax

(58) Where a company to which Section 245 of the Income Tax Act, 1952, applies has not distributed a 'reasonable part' of its actual income for the year the Special Commissioners may direct that the income shall be apportioned among the members and charged to surtax at the rates appropriate to those members. The assessments are made on the members in the name of the company and unless the individual members themselves elect to meet the liability it must be borne by the company. For trading companies the determination of what is a 'reasonable part' of the company's income is (subject to appeal) a matter largely within the discretion of the Special Commissioners, but for investment companies within the section the making of a direction in respect of the whole of the investment income of the company is automatic. If a 'clearance' under Section 252 has not been obtained in respect of past years there is the possibility that the Inland Revenue may decide to make a direction for any or all of the previous six years.

Recommendation

(59) It is not normally necessary for the accounts of trading companies to refer to the contingent liability for surtax which exists where such a company is one to which Section 245 of the Income Tax Act, 1952, applies, unless it appears probable that the Inland Revenue intend to make a 'direction'. Where the company is known to be an investment company to which Section 245 applies a note referring to the existence of the contingent liability for surtax is normally necessary.

VII. Tax Reserve Certificates

(60) The holder of tax reserve certificates has the option, after holding them for at least two months, of obtaining repayment without interest or of applying them with interest in payment of taxes in respect of which they are acceptable; at the time of the issue of this Recommendation these taxes are income tax, surtax, profits tax and land tax. The certificates are not transferable and the Treasury will not, except under Court order, recognize any charge affecting their ownership.

(61) The interest on tax reserve certificates is exempt from income tax, surtax and profits tax but it may not be used otherwise than in payment of taxes, since the only circumstance in which interest is credited is when certificates are applied in payment of taxes amounting to the sum of the certificates surrendered and the interest thereon. Nevertheless the interest represents interest on the money invested in tax reserve certificates (the purchase of which is optional) and not a reduction of tax liabilities. After being held for a period of two years the certificates cease to attract further interest.

Recommendations

(62) The amount of tax reserve certificates held should be shown as a separate item in the balance sheet and grouped with current assets.

(63) The interest allowed on tax reserve certificates when used for the payment of taxes should be treated as interest and not as a reduction of the tax charge.

(64) If credit is taken for interest accrued to the date of the balance sheet it should be confined to interest on certificates which have since been applied in payment of taxes.

Finance and Commerce

Thomas Preston Ltd

THIS week's reprint of the accounts for the year to June 30th, 1958, of Thomas Preston Ltd, should be seen in the light of the circumstances reported to shareholders by the chairman, Mr C. E. M. Hardie, O.B.E., F.C.A. The essential point is his recommendation that fixed assets should be written down from a post-war valuation figure by a reduction in share premium account from £258,033 10s 9d to £150,000. The process is by special resolution at an extraordinary meeting.

Mr Hardie was appointed an additional director of the company in December 1957 and was elected chairman last March on the resignation of his predecessor.

The group is in the paper and packaging industry, concerned with paper bags, greaseproof containers, polythene bags, labels, wrappers, show cards, stationery, calendars, folding cartons, etc.

Scarcity Values

In his first annual statement as chairman, Mr Hardie says that there are indications that the group's profit-earning position is likely to be maintained or even improved. Seriously affecting dividend policy, however, is the high figure at which the plant, machinery and older properties stand in the various companies' books. When control of certain of the operating companies was acquired between 1947 and 1949, professional valuations of their fixed assets were obtained to determine the price to be paid for the shares. With one exception where all assets have been shown at original cost, the subsidiaries' subsequent accounts have shown the assets either at these valuations or at subsequent cost. In all cases depreciation has been allowed at rates which their respective boards have hitherto considered appropriate.

The review which has now been carried out, however, shows not only that the 1947–49 valuations must now be viewed in the light of 'the exceptional circumstances of scarcity then prevailing' but also that subsequent depreciation provisions have been far too modest. The result is that the subsidiaries' asset figures and the parent's investments in subsidiaries are considered by the board to be substantially in excess of book values.

Dividend Difficulty

The effect of this, says Mr Hardie, is that unless steps are now taken to reduce book values to realistic levels, further and substantial depreciation charges will have to be provided out of profits to write down the assets over the remainder of their working life and therefore a 'resumption of dividends might be unduly delayed'. The directors of the operating subsidiaries have therefore revalued fixed assets as at July 1st, 1958, and have decided to provide for subsequent depreciation related to the notional life of each item.

How the subsidiaries will finally adjust their positions has not yet been decided, but in at least two cases capital reductions are probable. It will be some twelve months, however, before the full benefit of the proposals is reflected in the accounts of the subsidiaries and therefore of the group.

The diminution in the value of the assets is put at just over £122,000. The reduction in share premium account already mentioned provides some £108,000 leaving £14,000 of the writing-down to be taken out of revenue reserves.

'Inaccurate Picture'

PROPERTY values are the important point in the balance sheet of Montague L. Meyer Ltd, one of the big names in the timber trade. This case, however, follows the normal inflation course: freehold and leasehold property – much of it bought many years ago – has so increased in value that 'the balance sheet gave a totally inaccurate picture of its true worth'.

Following a revaluation, premiums paid on the acquisition of shares in subsidiaries have been written off and as a result of this and the year's net profits, the total of group reserves, excluding future taxation, has increased by £443,160.

Towards the end of the year under review (to March last) the company which was the only one to make a bid for the whole quantity, bought the remainder of the Government's strategic reserve stock of softwood – some 45,000 standards. Re-sale is proceeding satisfactorily and is a 'most exciting undertaking'.

The company's chairman, Mr Montague L. Meyer, is apparently among those who feel that profit figures should not be given to shareholders until after the close of the year. The preliminary figures, for the first six months, he says, 'show an estimated net profit that is already greater than the whole of the profit for last year'. Which provides an opportunity to reiterate the view that the great majority of companies could and should give at least half-year figures – audited or otherwise.

Next Week's Reprint

The reprint in next week's issue will be from the accounts of The Leyland and Birmingham Rubber Co Ltd.

THOMAS PRESTON LIMITED

BALANCE SHEET AS AT 30th JUNE, 1958

	1958 £	1958 £	1957 £	1957 £
SHARE CAPITAL				
Authorised				
100,000 6 per cent Cumulative Preference Shares of £1	100,000		100,000	
2,000,000 Ordinary Shares of 5s.	500,000		500,000	
	600,000		600,000	
Issued				
100,000 6 per cent Cumulative Preference Shares of £1	100,000		100,000	
1,525,012 Ordinary Shares of 5s.	381,253	481,253	381,253	481,253
CAPITAL RESERVES				
Share Premium Account	258,033		258,033	
Debenture Redemption Reserve	52,747		45,675	
Reserve for purchase of Minority Interest in a Subsidiary (Note 4)	15,877	326,657	12,702	316,410
REVENUE RESERVES AND SURPLUS				
Profit and Loss Account		35,394		20,059
		843,304		817,722
TAXATION EQUALISATION RESERVE (Note 1)		332		340
WORKPEOPLE'S BENEVOLENT FUND		4,000		4,000
5 PER CENT FIRST MORTGAGE DEBENTURE STOCK (Note 5)	250,000		250,000	
Less: Amount redeemed to date	52,746	197,254	45,674	204,326
CURRENT LIABILITIES				
Sundry Creditors	1,692		6,198	
Bank Overdraft	14,196		45,515	
Taxation (Note 2)	4,600	20,488	22,407	74,120
		£1,065,378		£1,100,508

	1958 £	1958 £	1957 £	1957 £
FIXED ASSETS				
Plant, Machinery, Office Furniture and Equipment at 1947 Valuation with net additions at cost	3,949		3,949	
Less: Depreciation provided to date	944	3,005	746	3,203
Motor Vehicles at cost	3,568		3,479	
Less: Depreciation provided to date	1,250	2,318	946	2,533
		5,323		5,736
INVESTMENTS IN SUBSIDIARY COMPANIES				
At cost	757,145		757,145	
Less: Amounts written off	287,145		287,145	
	470,000		470,000	
Amounts due on Current Accounts including proposed Dividends	608,404		650,323	
	1,078,404		1,120,323	
Deduct: Provision for losses carried forward in accounts of Subsidiary Companies	33,476	1,044,928	42,139	1,078,184
TRADE INVESTMENTS				
As valued by the Directors		11,851		12,451
CURRENT ASSETS				
Sundry Debtors and Prepayments	3,233		4,094	
Cash in Hand	43	3,276	43	4,137
		£1,065,378		£1,100,508

C. E. M. HARDIE }
J. L. CLAYTON } *Directors*

THOMAS PRESTON LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 30th JUNE, 1958

	1958 £	1958 £	1957 £	1957 £
SHARE CAPITAL—THOMAS PRESTON LIMITED				
Authorised				
100,000 6 per cent Cumulative Preference Shares of £1	100,000		100,000	
2,000,000 Ordinary Shares of 5s.	500,000		500,000	
	600,000		600,000	
Issued				
100,000 6 per cent Cumulative Preference Shares of £1	100,000		100,000	
1,525,012 Ordinary Shares of 5s.	381,253	481,253	381,253	481,253
CAPITAL RESERVES				
Share Premium Account	258,033		258,033	
Debenture Stock Redemption Reserve	52,747		45,675	
Mortgage Redemption Reserve	9,274		8,105	
Reserve for purchase of Minority Interest in Subsidiary Company (Note 4)	15,877		12,702	
General (Note 1)	21,289	357,220	—	324,515
REVENUE RESERVES AND SURPLUS				
Profit and Loss Account		57,255		37,494
		895,728		843,262
RESERVE FOR FUTURE TAXATION (Note 2) ..		46,019		45,293
TAXATION EQUALISATION RESERVE (Note 1) ..		49,026		52,234
WORKPEOPLE'S BENEVOLENT FUND		4,000		4,000
5 PER CENT FIRST MORTGAGE DEBENTURE STOCK (Note 5)	250,000		250,000	
Less: Amount redeemed to date	52,746	197,254	45,674	204,326
LOAN ON MORTGAGE OF HOUSE PROPERTIES ..	35,970		35,970	
Less: Amount repaid to date	24,799	11,171	23,630	12,340
OUTSIDE INTEREST IN SUBSIDIARY				
Preference Stock (Note 4)		63,508		63,508
CURRENT LIABILITIES				
Sundry Creditors	300,385		253,828	
Taxation (Note 2)	36,425		66,732	
Bank Overdraft	—	336,810	17,094	337,654
		£1,603,516		£1,562,617

	1958 £	1958 £	1957 £	1957 £
FIXED ASSETS				
Freehold and Leasehold Land, Buildings and Fixtures at 1947 Valuation with net additions at cost ..	336,319		363,405	
Less: Depreciation provided to date	40,968	295,351	44,221	319,184
Plant, Machinery, Office Furniture and Equipment at 1947 Valuation with net additions at cost ..	666,050		653,447	
Less: Depreciation provided to date	207,035	459,015	178,066	475,381
Motor Vehicles at cost	28,705		28,674	
Less: Depreciation provided to date	21,300	7,405	20,524	8,150
		761,771		802,715
GOODWILL	213,891		213,891	
Less: Amounts written off	63,891	150,000	63,891	150,000
TRADE INVESTMENTS				
As valued by the Directors		11,851		12,451
CURRENT ASSETS				
Stock and Work in Progress	339,783		331,078	
Sundry Debtors and Prepayments	323,271		265,755	
Cash at Bank and in Hand	16,840	679,894	618	597,451
		£1,603,516		£1,562,617

C. E. M. HARDIE }
J. L. CLAYTON } Directors

THOMAS PRESTON LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 30th JUNE, 1958

	1958 £	1958 £	1958 £	1957 £	1957 £	1957 £
PROFITS FROM TRADING before charging items detailed below			152,470			*104,384*
Add: Interest from Investments (other than Subsidiaries)			218			*216*
			152,688			*104,600*
Deduct:						
Remuneration of Directors of Holding Company: Fees	2,314			*1,750*		
Salaries for Management (including contributions to Pension Fund and Life Assurance Scheme)	8,933			*9,910*		
Pension to past Director	1,000	12,247		*1,000*	*12,660*	
Audit Fees		1,433			*1,584*	
Interest on Debenture Stock		10,216			*10,553*	
Interest on Mortgages		671			*719*	
Bank Interest		3,138			*393*	
Depreciation		46,797			*43,139*	
Loss on Sale of Plant, etc.		3,975	78,477		*1,906*	*70,954*
GROUP PROFIT FOR THE PERIOD BEFORE TAXATION			74,211			*33,646*
Deduct:						
Taxation on the profits of the year:						
Profits Tax		5,892			*4,310*	
Income Tax		32,689	38,581		*12,908*	*17,218*
GROUP PROFIT FOR THE PERIOD AFTER TAXATION			35,630			*16,428*
Deduct:						
Dividend on Preference Stock of Subsidiary held by outside Stockholders			2,374			*2,374*
GROUP PROFIT FOR THE PERIOD AFTER TAXATION ATTRIBUTABLE TO HOLDING COMPANY— Carried forward			33,256			*14,054*

	1958 £	1958 £	1957 £	1957 £
GROUP PROFIT FOR THE PERIOD AFTER TAXATION ATTRIBUTABLE TO HOLDING COMPANY— Brought forward		33,256		*14,054*
Add:				
Taxation Equalisation Reserve Adjustments (Note 1)	Cr. 3,208		*Dr. 1,275*	
Less: Taxation adjustments including interest for previous periods	Dr. 1,625	1,583	*Cr. 1,380*	*105*
		34,839		*14,159*
Deduct:				
Reserve for Debenture Redemption (including Premium £202)	7,284		*6,947*	
Reserve for Mortgage Redemption	1,169		*1,170*	
Reserve for purchase of Minority Interest in Subsidiary Company	3,175	11,628	*3,175*	*11,292*
		23,211		*2,867*
Add:				
Profit and Loss balance brought forward from previous year		37,494		*38,077*
		60,705		*40,944*
APPROPRIATIONS				
Preference Dividend, *less* tax, for the year ended 30th June, 1957		3,450		*3,450*
BALANCES CARRIED FORWARD ON PROFIT AND LOSS ACCOUNT				
Holding company	35,394		*20,059*	
Subsidiary Companies	21,861	57,255	*17,435*	*37,494*

NOTES ON THE ACCOUNTS

1. MOVEMENTS IN RESERVES.

General Capital Reserve—£21,289.

This represents the excess of the net proceeds of sale over the written down value of the Birmingham factory sold during the year.

Taxation Equalisation Reserve—£49,026.	£	£
Balance of Reserve as at 30th June, 1957		52,234
Additions for New Allowances claimed		2,692
		54,926
Deductions for:—Disposals	697	
Annual Withdrawals	5,203	5,900
		49,026

2. TAXATION PROVISIONS AND RESERVES

The Liabilities for Current Taxation in the Balance Sheets include estimated Profits Tax to 30th June, 1958, and Income Tax, 1958/59, apportioned up to that date. The Reserve for Future Taxation is in respect of the balance of Income Tax, 1958/59 and estimated Income Tax on the profits to 30th June, 1958 assessable for 1959/60, on the basis that the present standard rate of tax of 8s. 6d. in the £ will obtain for that year.

3. COMMITMENTS FOR CAPITAL EXPENDITURE

The amount outstanding at 30th June, 1958 was £21,000 approximately.

4. MINORITY INTEREST

Thomas Preston Limited has guaranteed both as to Capital and Dividend the £63,508 6½ per cent. Cumulative Preference Stock of a Subsidiary Company which is held outside the Group. The Company has agreed to purchase this minority interest at "par" not later than the year 1973.

5. 5 PER CENT. FIRST MORTGAGE DEBENTURE STOCK

The Stock is secured on assets of Thomas Preston Limited and its Subsidiary Companies. Any Stock not redeemed by 31st December, 1969, is repayable at £101 per cent.

CITY NOTES

EVENTS in the Sudan and the breakdown of European Free Trade Area discussions were among the major influences affecting the stock-markets this past week, but neither event unsettled the industrial equity market to any degree. In the gilt-edged section, however, there was some further set-back and the leading undated stocks have fallen to prices showing losses of up to nearly four points in a matter of under a month.

This persistent weakness in Government stocks stems largely from the easement of credit conditions. Banks, insurance companies and other financial institutions are now free to use their funds for normal business purposes and in investment operations outside the gilt-edged market.

The banks are now lending freely and insurance companies are now able to undertake the property financing operations that were officially discouraged during the period of severe credit restriction.

At the same time the rank and file of investors have obviously given up waiting for a Bank rate reduction to help lift Government stocks to better prices and are quite prepared to sell stock at a loss in the hope of regaining capital in the equity market.

The intensity of interest in equities is displayed by the very heavy support for new issues. Offers of shares in a number of well-known and established family businesses have attracted such strong demand that allotment in many cases has gone to the ballot.

RATES AND PRICES

Closing prices, Wednesday, November 19th, 1958

Bank Rate

Feb. 24, 1955	4½%	Mar. 20, 1958	6%
Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%

Treasury Bills

Sept. 12	£3 13*s* 6·81*d*%	Oct. 17	£3 12*s* 3·08*d*%
Sept. 19	£3 11*s* 9·20*d*%	Oct. 24	£3 13*s* 7·94*d*%
Sept. 26	£3 12*s* 6·10*d*%	Oct. 31	£3 11*s* 8·23*d*%
Oct. 3	£3 14*s* 1·39*d*%	Nov. 7	£3 11*s* 7·04*d*%
Oct. 10	£3 13*s* 0·72*d*%	Nov. 14	£3 11*s* 0·97*d*%

Money Rates

Day to day	2¾–3¼%	*Bank Bills*	
7 days	3¼–3⅜%	2 months	3 11/16–3¾%
Fine Trade Bills		3 months	3 11/16–3¾%
3 months	4½–5¼%	4 months	3 11/16–3¾%
4 months	4½–5¼%	6 months	3 11/16–3 13/16%
6 months	4¾–5½%		

Foreign Exchanges

New York	2·80⅝–11/16	Frankfurt	11·70–¼
Montreal	2·71⅞–·72	Milan	1746⅜–⅝
Amsterdam	10·59¼–½	Oslo	20·01–¼
Brussels	139·52½–57½	Paris	1178⅝–⅞
Copenhagen	19·35⅛–⅜	Zurich	12·24¼–½

Gilt-edged

Consols 2½%	50⅝	Funding 4% 60–90	87⅞
Consols 4%	73⅝	Savings 2½% 64–67	82¼
War Loan 3½%	65 5/16	Savings 3% 55–65	88¾
Conversion 3½%	65 11/16	Savings 3% 60–70	79
Conversion 3½% 1969	85¾	Savings 3% 65–75	73⅜
Exchequer 5½% 1966	102⅛	Treasury 2½%	48¾
Funding 3% 66–68	83	Treasury 3½% 77–80	75 5/16
Funding 3% 59–69	81⅜	Treasury 3½% 79–81	75 11/16
Funding 3½% 99–04	71⅜	Victory 4%	94⅞

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Recommendation No. 18

SIR, – I have always thought that the object of preparing a balance sheet was to show the proprietor the value of his business. Surely a shareholder in a public company expects the balance sheet he receives to be so worded and set out that from it he can form an estimate of the value of his shares.

Is not the goal to prepare a balance sheet which shows the net worth of an undertaking? The authors of Recommendation No. 18 (reproduced in November 15th issue) seem to have made off with the goal posts.

Yours faithfully,

Harrogate. R. K. COLLINGE.

Accounts from Incomplete Records

SIR, – Having recently joined a country practice I was very interested in Mr M. Barradell's article on 'Accounts from incomplete records' (November 8th issue). He does not, however, mention the final agreement with the Inspector. My experience is that having prepared the accounts to the best of my ability from the information and explanations available, an adjusted profit of, say, £427 is agreed. Then the Inspector writes:

> 'In view of the incomplete records I suggest an assessment of £450. Do you agree?'

To which the usual answer is 'we agree'.

I am told it is quite normal to 'round off' the profit where there are no proper records kept.

I see no point in 'rounding off'; after all, the accounts may be correct – in any case they are as near correct as I can make them. If the Inspector has any reason to believe that they are incorrect, surely he has some other remedy.

Has Mr Barradell any comment to make on this 'rounding off'?

Yours faithfully,

D. G. M.

[Mr Barradell writes: I have not met this feature before; at first sight, it appears to be an attempt to give the practice of the Inland Revenue the force of law, and as such it should be resisted. Some degree of estimation is inevitable, but in my view, if accounts are available, the Inspector of Taxes has no more right to ask for a rounding up to £450 than has the client to suggest a rounding down to £400!]

Balancing Charges

SIR, – With reference to the reader's query in your issue of November 8th, his problem is not unique, and under certain circumstances the Revenue has been willing to grant a concessionary treatment.

The most notable example of such a concession was the agreement reached between the Chamber of Shipping and the Inland Revenue with regard to ships. The Revenue stated its view that Section 296 (1) requires the replacement to have been fully effective before the set-off provisions can be invoked; thus the taxpayer would not be able to claim set-off against a vessel which had not been completed when the balancing charge was assessable, and the whole transaction would fall outside the provisions of Section 296 (1). The balancing charge would be assessable, and the initial allowance would be due on the whole expenditure of the new ship. (*Note.* – This agreement was negotiated in a pre-investment allowance era, but the principle still holds good.) The Revenue *was*, however, willing to hold over the balancing charge for a reasonable period pending the completion of the replacing vessel, but as a condition it required that the balancing charge be offset against the earliest instalment of the replacement.

Yours faithfully,
D. H. THORN.

North Harrow, Middlesex.

Students' Holiday Venture

SIR, – In your issue of May 31st, you kindly published my letter regarding a suggested holiday at Cattolica, Italy, for articled clerks and it might interest readers to hear the outcome.

In spite of the late start, which rather limited the response, eight potential accountants and one law student from places as far apart as Ireland, the Sussex coast, Surrey and Middlesex met for the first time at Victoria Station on September 14th.

Cattolica and the fine sunny weather gave us ample opportunity for bathing, rowing and water-ski-ing – the latter with somewhat doubtful success. The open-air cafés and dancing provided entertainment in the evenings.

Enjoyable excursions were made to San Marino, Florence and Venice with a trip through the canals. The accommodation and food at the *pensione* were quite satisfactory.

It was a free and easy holiday and its success was made possible by the friendly and happy companionship of all members of the party.

It is hoped to arrange another holiday on the Continent next year; meanwhile it is proposed to organize a winter sports holiday at Alpbach (3,300 ft.) Austria, from February 8th to 22nd, 1959, at a charge of approximately £28. I shall be pleased to send details to anyone interested.

Yours faithfully,
D. R. WATERS.
(*Articled Clerk.*)

London, NW8.

Education and the Profession

SIR, – The Council of The Institute of Chartered Accountants in England and Wales has recently set up a committee under the chairmanship of Mr W. E. Parker to examine the very important question of entry into the profession and the training of new entrants. The integration scheme would seem to have placed beyond all doubt the fact that the Institute is wedded to the system of entry only through service under articles with an accountant in public practice and it therefore seems to follow that any change in this respect is unlikely for many years to come. At present, the normal period of articles is five years, or three years if the articled clerk is a university graduate. I very much doubt if a period of five years is sufficiently adequate and I am of the opinion that a period of three years is quite inadequate to ensure that the articled clerk has a sufficient amount of professional practical work necessary to ensure that his professional training is satisfactory.

On the other hand, if the Institute desires to foster the entry into the profession of university graduates, some concession must be made to them since they would otherwise have to have a total period of eight years to cover the period at the university and the subsequent period of articles. In these circumstances practically none would qualify below the age of 26 years and those who have done two years' military service before going to the university will be 28 years of age when they pass the Final examination of The Institute of Chartered Accountants in England and Wales – assuming that they do so at the first attempt.

There is also the system under which the articled clerk will serve a period at the university and take a degree during the course of his service under articles, but this system does not appear to have been very popular.

It is considered that entrants into the profession should have a good standard of general education but they then require above all else a very good standard of professional training culminating in the passing of the Final examination of the Institute. Following the period of service under articles it is, in my view, desirable that the newly-qualified member of the Institute shall have a further period of at least two years obtaining experience different from that obtained during the period of articles. He may then find it advantageous to obtain specialized experience in some particular aspect of professional work.

In England and Wales, it is difficult for many articled clerks to attend lectures or classes in the large towns. Even if this were possible, it is doubtful if their training would be adequate to meet the demands of the examiner. Correspondence courses have, therefore, been invaluable and I feel they will continue to be invaluable to meet the needs of articled clerks, whether they are in rural areas or in the large towns, because they give the opportunity to the student to write answers to suitable questions continuously throughout the whole period of his training. If he is to be successful in the examinations of the Institute, he must learn to write legibly and quickly, to work methodically and to pick out the meat from a difficult question in the minimum possible time. This is a matter that is only gained through continuous practice.

I feel, therefore, that the Institute should give very serious consideration to the question of whether a link with the universities is really worth while, bearing in mind the comparatively few entrants in this category and the comparatively few who combine attendance at the university with their period of service under articles. Exemption from the Preliminary examination of the Institute might be given only when, say, two subjects taken in the General Certificate of Education have been passed at 'A' level, but this would seem to require an increase in the standard required for the Preliminary examination itself. The real need is for articled clerks to have as long a period of training as is practicable so that they may achieve a really high standard of professional education.

May I add that I am thankful that I do not have to sit the examination today.

Yours faithfully,
PROFED.

Professional Fees

SIR, – Rising costs do not invariably have to be met either by increased fees or by lower profits.

Greater efficiency may sometimes provide the answer.

Yours faithfully,
Chislehurst, Kent. G. D. NEELY.

C. A. R. B. S.

Chartered Accountants' Retirement Benefits Scheme

This scheme has now been in operation since June 1st, 1957, and reproduced below are the first published accounts covering the year ended May 31st, 1958. Reference to them is made in a Weekly Note on another page.

Balance Sheet, May 31st, 1958

	£	£		£	£
LIABILITIES			CURRENT ASSETS		
The Institute of Chartered Accountants in England and Wales ..	5,000		Debtors (including income tax recoverable £148)	566	
Insurers	50,654		Contributions receivable	150	
Beneficiary	389		Deposits	45,000	
Other creditors	998		Bank balance	8,768	
Contributions in suspense	1,050				54,484
		58,091	INITIAL EXPENSES	5,140	
			Less Excess of income over expenditure	1,533	
					3,697
		£58,091			£58,091

On behalf of Chartered Accountants' Trustees Ltd as trustee:
G. L. C. TOUCHE } *Directors.*
P. V. ROBERTS }

REPORT OF THE AUDITORS TO THE TRUSTEES OF THE CHARTERED ACCOUNTANTS' RETIREMENT BENEFITS SCHEME

We have examined the above Balance Sheet and (annexed) Income and Expenditure Account which in our opinion respectively give a true and fair view of the state of the Scheme's affairs as at May 31st, 1958, and of its income and expenditure for the year ended on that date.

GEOFFREY BOSTOCK
L. W. BINGHAM
Chartered Accountants.

September 29th, 1958.

Income and Expenditure Account for the Year ended May 31st, 1958

	£	£		£	£
ADMINISTRATION EXPENSES			MEMBERS' CONTRIBUTIONS		
Scheme secretaries' remuneration ..	1,500		Section A	106,364	
Services of Institute staff	1,000		Section B	17,024	
Professional charges	52		Section C	2,575	
Audit fees	368		Section D	66,468	
Printing, stationery and equipment ..	17				
		2,937		192,431	
INTEREST ON WITHDRAWALS BORNE BY THE SCHEME		1	*Less* PREMIUMS TO INSURERS	188,862	
BALANCE, being excess of income over expenditure		1,533	Commissions earned and retained ..		3,569
			DEPOSIT INTEREST		902
		£4,471			£4,471

C. A. E. S. S.

The Chartered Accountants Employees Superannuation Scheme

A REVIEW BY THE CHAIRMAN OF THE COMMITTEE

C.A.E.S.S. – the superannuation scheme for staffs of members of The Institute of Chartered Accountants in England and Wales – has now been in operation for twelve months and has proved that a need exists in the profession for such an organization. Over 120 firms have enrolled, with an average initial membership of five.

One firm has even considered it advisable to participate although none of its present employees have wished to join. This fact emphasizes one of the most important advantages of the scheme – namely, the ability of a participating firm to offer continuing membership to newly-recruited staff who come from firms already in the scheme. Thus the employee who remains in the profession has the opportunity to build up a pension based on all the working years of his or her life. This feature overcomes one of the major problems which exist when each firm has its own independent pension fund.

Monetary Advantage

Some of the participating firms are, in fact, closing down their existing schemes when they join C.A.E.S.S. Quite apart from the question of transferability, in a majority of cases C.A.E.S.S. has a considerable monetary advantage over the independent schemes because the high rate of interest which can be earned on a self-administered fund such as C.A.E.S.S. and the low margin for expenses which is assumed in the contribution rates enable the benefits built up to be greater than those usually obtainable from the ordinary life office scheme.

It may be of interest to readers to know the different methods by which existing schemes can be terminated. The usual plan is to cease contributions and to secure paid-up benefits. These benefits, together with those obtainable for future service from C.A.E.S.S., make up the member's total pension. This arrangement, however, has the disadvantage that a member has to draw his pension from two sources. To overcome this disadvantage some firms are surrendering their benefits in existing schemes and bringing the moneys over to C.A.E.S.S. Not only can this transfer be financially advantageous, but it enables a member to draw the whole of his pension from the one source.

Although great care had been taken in planning the scheme to allow the greatest possible flexibility, a few months' experience of operation showed that it would be possible to allow even wider discretion to participating firms in the details of the benefits for their employees. Moreover, it became apparent that some firms were finding the existing provisions too narrow for their requirements. The lack of flexibility was most marked in two respects.

Firstly, certain firms wished to pay in large sums to cover the cost of benefits for past service. This could be done only on terms which allowed no return of the contribution paid if the employee should die before pension age.

Secondly, a number of firms had on the staff employees for whom, for various reasons, death benefit of one year's scheme salary was not desired. In place thereof, the firms wished to secure larger pension benefits for those employees.

These were very real problems and after much thought amendments were made to the scheme to give it greater flexibility. As a result, a firm entering the scheme has now the choice of applying its contributions under one or other of the appendices to the rules.

How does this choice affect the treatment of the basic contributions of a firm? Where a prospective member is acceptable for the death benefit, a basic contribution by the firm of 5 per cent of scheme salary would normally be paid under Appendix B and in the event of the death of a member before reaching pension age would give rise to a death benefit equal to the scheme salary. If, however, the death benefit is not desired or a prospective member is not acceptable for that benefit, then Appendix A or C can apply. Under Appendix A a credit will be set up for the participating firm should the member die in service; this credit must be used by the firm for payment of contributions for its other members as they fall due. Under Appendix C no such credit arises but a higher rate of pension is secured. It is possible for the basic contributions of 5 per cent of the scheme salary to be applied under one appendix and any additional contributions paid by the firm to be applied under a different appendix.

Simple Procedure

Twelve months' experience has shown how simple it is for a firm to join the scheme. Those firms which have set up their own schemes, either through a life office or on a self-administered basis, will have discovered how long it takes in the ordinary way from the time the decision is made to set up the scheme until it reaches completion, due in part to the necessity of establishing a trust and of obtaining approval of the Inland Revenue to the provisions of the deed and rules. C.A.E.S.S. offers firms a ready-made scheme with all this preliminary work completed and, during the year it has operated, it has been possible in many instances for firms to join the scheme from the beginning of the month in which they first wrote to the secretaries. A delay of a few days may sometimes arise in the acceptance of an employee for the lump-sum death benefit where evidence of health requires further consideration. If, however, a firm is willing to make membership of the scheme compulsory for future entrants and can provide at least five members at the outset, evidence of health is not required.

It is in the interest of all firms seriously to consider participation in this scheme. The provision of pensions has become an established part of the economic life of the nation and sooner or later the problem will have to be resolved by all employers. The scheme devised by The Institute of Chartered Accountants in England and Wales offers many advantages over individu schemes, whether self-administered or otherwise, ar should therefore commend itself both to practisir members and to their staffs.

First Report of the C.A.E.S.S. Committee

The scheme was established in August 1957, and the first firms entered in October 1957.

The first accounts relate to the period October 1st, 1957, to May 31st, 1958.

During that period the contributions amounted to £19,906.

No benefits have been payable.

The membership of the scheme is shown in the following table:

	Participating Firms	Members Male	Members Female
Entrants during period ..	95	461	67
Withdrawals during period ..	Nil	5	1
Total membership at May 31st, 1958	95	456	66

During the period one member transferred from a pa ticipating firm to another firm which joined the scheme.

The rules of the scheme have been altered since the clo of the period to enable participating firms to pay contrib tions on the basis that should a member die in service credit equal to the accumulated contributions is availab

The committee was established and the first meeting he on March 7th, 1958; under clause 25 (1) of the trust dee Mr R. W. L. Eke was appointed chairman.

At the annual general meeting of members, Mr K. Lethieullier, a members' committee man, retires and eligible for re-election.

R. W. L. EKE,
Chairman.

Balance Sheet, May 31st, 1958

	£	£
ACCUMULATED FUND		17,717
CURRENT LIABILITIES		
Creditors (including income tax £9) ..	933	
Withdrawals outstanding	43	
Contributions in advance	13	
		989
DEFERRED LIABILITY		
Loan from The Institute of Chartered Accountants in England and Wales to meet initial expenses, which the trustees intend to repay when surplus funds are available		4,750
		£23,456

	£	£
INVESTMENTS AT COST Market value at May 31st, 1958, £12,544		11,8
CURRENT ASSETS		
Contributions receivable	2,225	
Debtors	95	
Bank balance	4,606	
		6,9
INITIAL EXPENSES		4,6
		£23,4

Note: The first actuarial valuation of the fund is due to be made not later than July 1962.

On behalf of Chartered Accountants' Trustees Ltd as trustee:
G. L. C. TOUCHE } *Directors.*
P. V. ROBERTS

REPORT OF THE AUDITORS TO THE TRUSTEES OF THE CHARTERED ACCOUNTANTS EMPLOYEES SUPERANNUATION SCHEME

We have examined the above balance sheet and (annexed) Fund Account which in our opinion respectively giv true and fair view of the state of the affairs of the Fund as at May 31st, 1958, and of the relevant transactions for t period ended on that date.

GEOFFREY BOSTOCK
L. W. BINGHAM
Chartered Accountants.

September 29th, 1958.

Fund Account for the Period August 1st, 1957, to May 31st, 1958

	£	£
ADMINISTRATIVE EXPENSES		
Scheme secretaries' remuneration ..	500	
Services of Institute staff	250	
Professional fees	366	
Medical fees	33	
Audit fees	210	
Printing, stationery and equipment ..	58	
		1,417
Balance, being amount of the fund at May 31st, 1958		17,717
		£19,134

	£	£	
CONTRIBUTIONS		19,906	
Less Withdrawals	175		
Income tax relative thereto ..	9		
Reinsurance of death risk ..	620		
		804	
			19,1
BANK INTEREST			
			£19,1

THE NATION'S STRENGTHENED ECONOMY

Financial Secretary's Comments at Chartered Accountants' Dinner

Our economy owes very much to the accurate costing f the various processes and procedures in industry, or it is only by that accurate costing that prompt and agacious investments and other business decisions an be made', stated Mr J. E. S. Simon, Q.C., M.P., Financial Secretary to the Treasury, at the annual dinner of the Northern Society of Chartered Accountnts held on November 14th.

High Professional Honour

Mr Simon paid tribute to the very happy relationhip existing between the Inland Revenue and the ccountancy profession; this, he said, was of the ighest value to the administration of the fiscal system. The Inland Revenue could place reliance not only on he professional competence of the accountancy proession, but, what was far more important, on the high professional honour that animated it.

It seemed to him most important, he said, amid aughter, that accountants should be to industry and commerce rather like masseurs were to film stars, producing vital statistics from previously uncoordinated figures; not in the way that politicians used tatistics to produce unwarranted assumptions and oregone conclusions. He continued:

'The economic situation is in a state of balance at the moment and there is no doubt that the measures taken in September 1957 have been attended with very great success. The balance of payments have been very strong for the ast year, and in the first six months of this year have been unning at the unprecedented figure of a favourable balance of £334 million.

'Probably for the first time this century, if not for coniderably longer, we have a favourable balance on visible ccount alone.

'Reserves, which have been rising steadily ever since September 1957 are up by £380 million exclusive of the money that we have borrowed, and, most important of all, the cost of living has remained pretty steady.

'It was a quite deliberate act of policy to place the strength of sterling and stability of prices first. As a result there is now some slack in the economy, but the measures for strengthening it have been so successful that relaxation has been possible. . . .

'There are four great advantages in using the release of hire-purchase restrictions to take up the slack in the economy: relaxation in this field acted very quickly; its main impact would have died away when the increased demands on our resources, expected next year, came into effect; it involved no new Government spending, and any restriction on the freedom of the individual to make his own bargain could only be justified where the economic situation clearly demanded it. This was no longer the case.'

Mr Simon did not think that there was any danger of the economy getting into a deflationary spiral but there might be a danger, if the reaction was sharp, of getting into inflation again. Wage increases this year had been lower than in the two previous years, but had again been higher than the foreseeable long-term increase in productivity. It had only been possible to accommodate the wage increases because import prices had fallen. They were no longer falling, and any general increases in incomes in excess of productivity was bound to bring about a fresh rise in prices. This, he said, was one of the crucial issues which lay ahead.

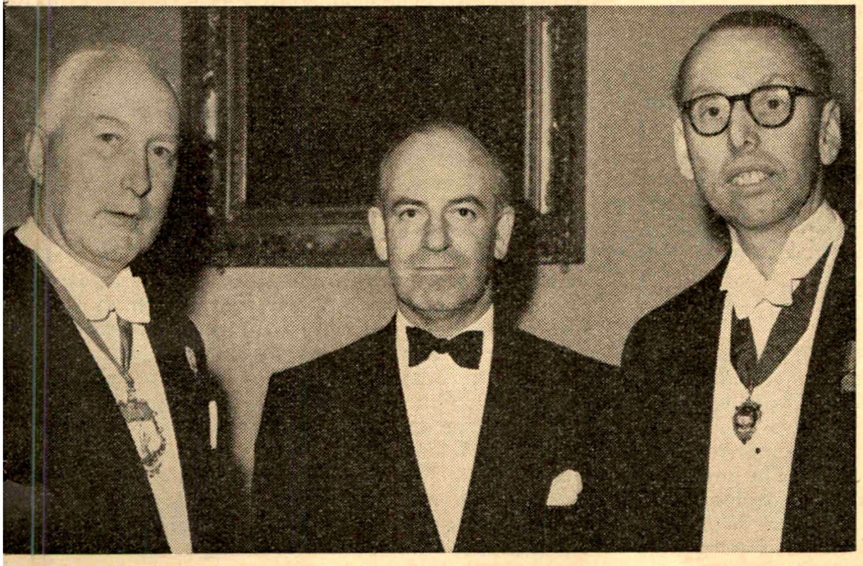
Quiet Optimism

Responding to the toast of 'The Institute of Chartered Accountants in England and Wales', proposed by Mr Simon, Mr W. L. Barrows, LL.D., F.C.A., President of the Institute, said that most members had a feeling of quiet optimism about the future.

Referring to the problem of recruitment to the profession, Mr Barrows said that nothing more important had arisen for years than the whole question of the training and education of future entrants to the profession. With the Institute's membership of over 31,000 the difficulty of replacements was not a small one. He noted with pleasure that an examination centre had been opened at Newcastle.

Brigadier Sir George Walton, K.B.E., C.B., T.D., D.L., J.P., A.C.A., proposed the toast of 'The Guests' and Colonel Sir Lawrence Edwards, O.B.E., D.L., J.P., responded.

The dinner, which was held at the Old Assembly Rooms, Newcastle upon Tyne, was under the chairmanship of Mr R. M. Chapman, T.D., D.L., J.P., F.C.A., President of the Northern Society. Over 240 members and guests attended.



Pictured at the dinner (*left to right*): Mr W. L. Barrows, LL.D., F.C.A., Mr J. E. S. Simon, Q.C., M.P., Mr R. M. Chapman, T.D., D.L., J.P., F.C.A.

FOR STUDENTS

CONSUMER CREDIT

In recent weeks, the term 'consumer credit' has become the subject of conversation throughout the country. What is it? What forms does it take? What part does it play in our national economy? Why has it suddenly leaped to prominence in our newspapers?

Its Meaning

If one were to give a pedantic definition of consumer credit, one would say that it was the credit given by a supplier of goods or services to the consumer or recipient. In this sense, it is as much consumer credit for a gas board to give a factory credit for gas supply (i.e. by the rendering of monthly or quarterly statements, necessarily in arrear), as it is for a furniture dealer to sell a dressing-table on hire-purchase terms. The term is therefore limited in its colloquial use to goods and services of a *domestic* nature – e.g. household furniture and equipment, or even holiday travel. The consumer of the product takes immediate delivery and pays for them usually out of future earnings.

Forms of Consumer Credit

There are several forms of consumer credit now current:

(*a*) Hire-purchase, in which legal property does not pass to the purchaser until the final instalment is paid.

(*b*) Credit sale, in which legal title to the goods immediately passes to the purchaser, but he is charged an additional fee for the privilege of paying by instalments.

(*c*) Current account, where the customer is expected to pay within a month or so of being invoiced.

(*d*) Bank loans and overdrafts.

All Government regulations on the first two (e.g. minimum deposits and maximum period for payment) have now been rescinded.

Current accounts may take the form of weekly accounts (e.g. newsagents, where it is not practicable to collect moneys daily) or monthly accounts (e.g. large departmental stores).

Bank loans and overdrafts are now free from Government 'recommendations' (which were virtually rules), and whilst traditionally banks lend only against security in the majority of cases, 'personal loans' schemes are now being operated by the Midland, Barclays and Westminster Banks; with these, no security is required, but the customer is charged a higher rate of interest and required to make regular repayments of the loan.

Importance of Consumer Credit

Trading for cash implies that both the supplier and the customer shall have completed certain work (or otherwise have acquired wealth) before business can be transacted; the supplier to have the goods or services ready for delivery, the customer to have the cash with which to pay for them. The introduction of consumer credit into business enables the time factor to be overcome. The supplier's work of last year may be purchased out of the purchaser's work of next year. In cases where goods are to be used not domestically but in business, they may be paid for out of the moneys which those goods earn in use

The obvious effect of an increase in the amount o consumer credit at any time (e.g. by a relaxation o Government controls on hire-purchase, or by ban loans being made more freely) is that suppliers ma expect a surge in the demand for goods and services For example, whilst motor-cars sold in 1958 might b purchased out of the income of the purchaser fo 1959 and 1960, those sold in 1959 might be paid fo out of the purchasers' income for 1960–1962. Lowerin the initial deposit and extending the term of a hire purchase agreement will clearly tend to increase th demand for such goods.

A secondary effect of an extension of consumer credi is more psychological than mathematical – and there fore an aspect which accountants are more prone t overlook.

With a great number of people – one might eve say with the majority of people – 'saving up' for some thing is often more of a professed ambition than a fact As the sixpences go into a money-box, or the pound into a savings bank, the temptation to spend accumu lated savings today conflicts with the determinatio to continue saving for the original goal. For example if consumer credit were not available for motor-ca purchases, a man saving £200 for a motor-car migh well decide, when he had saved £50, to purchase motor bicycle instead.

Consumer credit, by shortening the period betwee decision and purchase, prevents the pattern of pur chasing being distorted by changes of mind – thoug one might equally well claim that consumer credi itself distorts the pattern of purchasing by encouragin implementation of hasty decisions. The salesman ma not only be persuasive, but may offer the means o acquisition through a hire-purchase agreement.

Clearly, relaxations in controls on consumer credi and extension of consumer credit by such method as unsecured bank loans will result in an increase in th demand for higher priced consumer goods.

Its Topical Importance

For several years – indeed, since 1939 generally – th danger facing the national economy of Britain ha been inflation. 'Too much money chasing too fe goods.' Today, the inflationary spiral has halte awhile, and in some cases has even slipped slightl into reverse by showing signs of deflation.

Mild inflation is generally regarded as being a spu to business: purchases will tend to be made earlier i prices are likely to rise, and provided the inflation i mild (say, 2 per cent per annum) little harm is don But just as uncontrolled inflation soon runs rampan so does uncontrolled deflation. If prices begin to fal everybody will defer purchasing and run down stock in the hope that prices will fall still further – so slump develops, bringing with it grave problems c unemployment.

With the inflationary spiral halted, and unemploy ment in some industries becoming evident, th Government has clearly thought it prudent to giv commerce a boost, by relaxation of credit control The effect of this action remains to be seen.

Notes and Notices

PERSONAL

Messrs Bland, Carryer & McAlpin, Chartered Accountants, of 3 St Martin's East, Leicester, announce with deep regret the death on November 8th, 1958, of their senior partner, Mr Leslie Charlesworth Simpson, F.C.A. The surviving partners, Messrs Joseph Collins, F.C.A., and John Henry Francis, A.C.A., will continue to practise under the same name.

Messrs Carter & Co, Chartered Accountants, of 8 Greenfield Crescent, Edgbaston, Birmingham, 15, announce that they have acquired the old-established practice of Thaddeus Ryder & Co, of 45 Newhall Street, Birmingham, 3, following the death of Mr R. G. Bowen and the retirement of Mr A. E. Phillips. The firm was founded in 1877 by Mr Thaddeus Ryder who had previously been a member of the staff of Carter & Co. All members of the staff of Thaddeus Ryder & Co have been invited to join the staff of Carter & Co in their present status and the transfer of the practice to 8 Greenfield Crescent, is expected to be completed by December 31st, 1958.

Mr H. L. Moses, A.C.A., announces that he has resigned from the firm of H. Adelman & Co as from November 1st, 1958. He also announces that the firm of H. L. Moses & Co has removed from 141 Stamford Hill, London, N16, to 75 Townshend Court, St John's Wood, London, NW8.

Messrs Robert J. Ward & Co, Chartered Accountants, of Adelphi Terrace House, 3 Robert Street, Adelphi, London, WC2, announce with great regret the death on October 29th of Mr Ronald Maxwell Browne, F.C.A., who had been a partner in the firm since 1923.

Messrs Fisher, Conway, Fenton & Co, Chartered Accountants, of Chancery House, Chancery Lane, London, WC2, regret to announce that, owing to ill health, their senior partner, Mr Philip Fisher, F.C.A., has decided to retire from practice on December 31st, 1958. The practice will be continued by the remaining partners, Mr S. Conway, F.C.A., and Mr C. Fenton, F.C.A., and the firm's name will be unchanged.

Messrs James Cram & Sons, Chartered Accountants, of 38 Whitehall Street, Dundee, announce that Mr Arthur S. Cram, C.A., has retired from the firm with effect from September 30th, 1958. The practice will in future be carried on by Mr David I. Worsley, C.A., under the same name and at the same address.

Mr S. D. Kamlet, F.A.C.C.A., F.C.W.A., F.C.I.S., practising under the style of Sidney D. Kamlet & Co, announces that he has now opened a West End branch at 39–41 James Street, Wigmore Street, London, W1. Telephone: Hunter 2241.

PROFESSIONAL NOTES

Mr S. V. Lancaster, T.D., F.C.A., has been appointed chairman of Priory Properties (Birmingham) Ltd.

Mr F. McD. Hall, F.C.A., has been appointed a director of Wolf Electric Tools (Holdings) Ltd.

Mr J. C. S. Edwards, F.C.A., has been appointed a director of The Tobacco Company of Rhodesia and South Africa Ltd.

Mr Peter Buchanan Lake, J.P., A.C.A., has been appointed commercial director of The National Steel Foundry (1914) Ltd, in charge of all sales.

Mr William Herbert Sharland, A.C.A., has been appointed chairman of Associated Coal & Wharf Companies Ltd.

Mr Frederick G. Liversedge, A.C.A., has joined the board of The Indian Iron & Steel Co Ltd.

Mr William Edward Aitken, A.C.A., has been appointed secretary of H. E. Proprietary Ltd and of its associated companies, and director and secretary of Carmen Valley Gold Mines Ltd, Siberian Syndicate Ltd, and Palmarejo & Mexican Gold Fields Ltd.

Mr K. M. N. Fergusson, C.A., has been appointed a director of Evans Medical Supplies Ltd.

We have learned with regret of the death on November 6th of Mr L. J. Shelton, T.D., A.C.A., secretary of the United Wire Works (Birmingham) Ltd.

IN PARLIAMENT

Motor-cars: Capital Allowances

Mr Reynolds asked the Chancellor of the Exchequer the estimated cost in tax relief for the last completed financial year of the allowances for cars for business purposes.

Mr Amory: The cost of all capital allowances on cars, both initial and annual, in 1957–58, is estimated to be about £35 million.

Hansard, Nov. 4th, 1958. Written Answers. Col. 33.

Income Tax: Travel Allowance

Mr Owen asked the Chancellor of the Exchequer why tax relief is not allowed on compulsory travel arising from inability to find accommodation in a new place of employment.

Mr Simon: The general rule of the income tax law is that no allowance is due for the cost of travel from home to work and there is no special provision for travel incurred through inability to find accommodation at a new place of work. The Royal Commission was satisfied that any attempt to introduce an allowance for the type of case the hon. Member has in mind would impose an impossible administrative burden.

Hansard, Nov. 4th, 1958. Written Answers. Col. 34.

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REVALUATION OF ASSETS
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Bearer Shares

Sir H. D'AVIGDOR-GOLDSMID asked the Chancellor of the Exchequer whether he will now allow registered shares to be converted into bearer form.

Mr AMORY: I think that it would be reasonable to allow a company to convert its registered shares into bearer form if it could show good reason for this, if the bearer share warrants would be of small denomination, and provided that the arrangements would be such as to ensure that capital could not be exported from this country without Treasury consent.

Hansard, Nov. 13th, 1958. Written Answers. Col. 62.

Contributions to the Arts: Taxation

DR STROSS asked the Chancellor of the Exchequer whether he will allow contributions to the arts by industrial establishments to qualify for exemption from taxation.

MR SIMON: No, sir. My right hon. friend does not see his way to propose a change of this character in the general taxation law.

Hansard, Nov. 13th, 1958. Oral Answers. Col. 562.

NATIONAL INSURANCE REGULATIONS

Mr John Boyd-Carpenter, Minister of Pensions and National Insurance, has asked the National Insurance Advisory Committee to consider and report on draft regulations[1] which would allow people who are unable to satisfy the contribution conditions for retirement pension or widow's benefit, because they entered insurance too late to reach the minimum yearly contribution average of thirteen required for these benefits, to receive a refund of the appropriate portion of their national insurance contributions.

The Committee will consider representations on these draft regulations sent before December 12th, 1958, to the Secretary, National Insurance Advisory Committee, 10 John Adam Street, London, WC2.

THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

The following meetings of the London Students' Society will be held during next week:

Monday: Visit to Royal Mint (limited number).

5.30 p.m., Caxton Hall, Victoria Street, SW1: Lecture on 'The selling side of the business', by Mr A. Gillam, F.S.M.A., sales manager, Spratt's Patent Ltd.

Tuesday, 5.30 p.m., at the Institute: Lecture on 'Debatemanship', by Miss H. M. Taylor, Principal, Abbey School for Speakers.

7.30 p.m., at Reading: Inaugural meeting to start a branch of the Students' Society. Lecture on 'Good form for final accounts', by Mr R. J. Carter, B.COM., F.C.A., Secretary of the Students' Society.

Wednesday: Visit to Barclays Bank (limited number).

Thursday, 5.15 p.m., at Incorporated Accountants' Hall: Introductory course lectures on (1) 'Audit practice and methods', by Mr W. K. Wells, B.A., F.C.A.; and (2) 'The law of sale of goods', by Mr A. C. Staples.

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[1] Draft National Insurance (New Entrants Transitional) Amendment (No. 2) Regulations, 1958, H.M.S.O. 4d net.

CANADIAN TAX CONFERENCE

The annual tax conference of the Canadian Tax Foundation was held from November 13th to November 15th at *The Royal Alexandra Hotel*, Winnipeg. Papers were presented on 'Education and highway costs – the next ten years' and 'The annual process of tax changes', while at the conference banquet on November 14th, members were addressed by the Hon. Donald N. Fleming, Q.C., Minister of Finance. At a number of panel sessions members discussed such subjects as 'Company amalgamations', 'Legal and accounting principles governing deductible expenses', 'Sales tax' and 'Methods of enforcement of the personal income tax'.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

London Discussion Group

A meeting of the London Discussion Group of The Institute of Chartered Accountants of Scotland will be held next Tuesday at 6 p.m., in the Oak Hall of the English Institute, Moorgate Place, London, EC2, when Mr G. Woodcock, assistant general secretary of the Trades Union Congress, will speak on 'The aims and responsibilities of the trades unions in the changing structure of society'.

SOUTH-WEST LONDON CHARTERED ACCOUNTANTS' DISCUSSION GROUP

The next meeting of the South-west London Chartered Accountants' Discussion Group will be held at *The Kingston Hotel*, Kingston upon Thames, on Monday, December 1st, at 6.45 p.m.

The secretary, Mr L. J. Ive, A.C.A., of 52–53 Jermyn Street, London, SW1, will be pleased to answer inquiries from prospective new members.

THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

'Is it possible to be a business man and a Christian' will be the subject of a talk by Mr W. W. Dolton, director, Delta Metal Co Ltd, at 6 p.m. on Thursday next at Incorporated Accountants' Hall, Victoria Embankment, WC2. After the meeting there will be a short discussion on Bible references to points arising from the address.

ECONOMIC CONDITIONS OVERSEAS

Three new surveys in the 1958 series dealing with economic conditions in member and associated countries of the Organization for European Economic Co-operation have recently been issued. The booklets, each priced 2*s* 6*d* and obtainable from H.M. Stationery Office, give comprehensive analyses of economic conditions in Canada and the United States, the Federal Republic of Germany, and France.

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Investments in Balance Sheets

THE newest recommendation of the Council of The Institute of Chartered Accountants in England and Wales just issued to members and reproduced elsewhere in this issue – is in the same high tradition as its predecessors. Its subject is the treatment of investments in the balance sheets of trading companies and its scope is confined to those companies whose assets of that nature are, in the main, holdings in subsidiaries or trade investments. It is not intended specifically to apply to banks, assurance companies and other concerns outside the jurisdiction of certain requirements of the Eighth Schedule of the Companies Act, nor to investment trusts or companies which carry on a business in the dealing of shares and similar investments.

The recommendation divides the subject into two sections – classification and valuation. As regards the first of these, a point made at the outset sets the standard for the rest of the section. It is that whereas paragraph 4 of the Eighth Schedule states that assets should be classified under headings appropriate to the company's business and, also, that fixed assets should be distinguished from current assets, Section 149 of the Act itself demands that the balance sheet 'shall give a true and fair view'. Thus, for example, in the case of a company having both investments in, and current accounts with, one or more subsidiary or associated companies, the permanent part of these assets, such as shares or debentures, should be grouped with other fixed assets under a separate sub-heading or, if the total is material, given a main heading of its own. The more liquid part of the assets, such as temporary loans or current accounts where periodic settlements are made, should be included under current assets and appropriately labelled as should also quoted and other easily realizable investments held, by comparison with shareholdings in subsidiary or associated companies, on a temporary basis. By so doing, a true indication of the deployment of the company's capital is obtained.

The main recommendation with regard to valuation is that losses in value of investments shown in current assets should be provided for as should also any on investments included in fixed assets where the reduction in value to the business below cost would appear to be permanent. Where the value of an important trade investment is palpably understated because the dividends received do not accurately reflect the worth of the company due to a policy of retaining and accumulating profits, consideration should be given to the advisability of recording some explanation in the accounts.

London Inter-office Comparisons

INFORMATION about other people's jobs generally makes irresistible reading and a newly published summary of answers given by fifty-four large office employers in the London postal area to questions concerning the conditions enjoyed by their workers, nearly 40,000 in all, is no exception although few unusual statistics were disclosed.[1] The representative figure of women employed was 57 per cent to 43 per cent men. All but two of the firms took merit into account when giving promotion and, in assessing merit, the principal influences were personal recommendations (e.g. from a superior) and previous reports. Only eight firms published their salary scales and of these four had not more than 500 employees each. Exactly half the undertakings paid an annual bonus, most of them on the year's financial results. The working week (including lunch and other breaks) ranged from 45½ to 40 hours and forty-two undertakings worked a five-day week. The employees of two firms worked every Saturday. Only seven concerns specifically claimed that they staggered their hours of business to reduce traffic congestion.

All but six firms provided meal facilities on their premises and of those that did not do so, two had lunch voucher schemes. The staffs of forty-one concerns had a full hour in which to have lunch and in every instance where less time was allowed, meals were available on the premises. Two-thirds of the firms had time-keeping records and persistent lack of punctuality in forty-four cases meant eventual dismissal. Only eighteen concerns had a consultative council with clerical staff representation on it but all fifty-four declared that there were opportunities for each employee to appeal to senior management against allegedly unjust decisions concerning him or her. To end on a healthy note, forty-eight undertakings treated visits to the dentist as authorized paid leave.

Evaluating Internal Control

by KENNETH S. MOST, LL.B., A.C.A.

THE committee on auditing procedure of the American Institute of Certified Public Accountants has recently issued a statement entitled 'Scope of the Independent Auditor's Review of Internal Control'. The purpose of the statement is to clarify previous pronouncements on this subject, but it does not cover the scope of reviews of internal control by the independent auditor for other purposes, such as special engagements involving systems studies, revisions, etc.

The question of internal control has grown in importance, because detailed checking as an aspect of the annual audit has declined in extent. From the point of view of the client, there has been a recognition that one of the primary duties of an accounting organization is to prevent errors and detect fraud within its own organization. As a consequence, auditors are exhorted to examine the system of internal control as a preliminary to deciding how much or how little detailed checking is necessary.

What is Internal Control?

Regarded purely in relation to book-keeping, internal control can be defined as a distribution of clerical duties among personnel, so that neither error nor fraud can go undetected.

Notes on the Relation of the Internal Audit to the Statutory Audit, issued by The Institute of Chartered Accountants in England and Wales in 1953, point to a wider definition. Paragraph 2 states:

> 'Internal control is best regarded as indicating the whole system of controls, financial and otherwise, established by the management in the conduct of a business, including internal check, internal audit and other forms of control'.

However, it seems preferable to separate internal audit from the sphere of internal control. Although the internal audit procedures must be based on the existing system of internal control, as well as upon the amount of external auditing performed, internal control itself operates independently of any internal or external audit procedures in use.

The special report of the American Institute of Certified Public Accountants on internal control (1949), contains the following description:

> 'Internal control comprises the plan of organi-

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[1] *Trends in Personnel Practice* (Office Management Association, London. 7*s* 6*d* net).

zation and all of the co-ordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policy.'

It is submitted that this description accords with modern ideas on the subject of scientific management, and is therefore more satisfactory than a definition which attempts to relate internal control solely to clerical methods and procedures. True, the report goes on to place internal audit under the general description, but it does not belong there any more than the external audit does. The accounting regulations of the United States' Securities and Exchange Commission, on the other hand, appear to support the viewpoint that internal control and internal audit are essentially different things.

Methods of Evaluation

Two basic questions arise in any analysis of human behaviour, namely, finding out what is done and finding out why it is done. There are two methods of evaluating internal control in general use, one of which usually only answers the first of these questions, whereas the other may or may not answer both.

The first of these methods is the questionnaire; a document usually many pages in length and containing a large number of standard questions about various features of the organization which are relevant to the question of internal control. It is assumed that, if answers are obtained to all of these questions, a picture of the system of internal control in force will be obtained, sufficient to determine its adequacy for all the situations which the organization will encounter during its daily life.

The other method is to rely upon the senior auditor in charge to evaluate the system of internal control as a part of each phase of the audit. Thus, examination of accounts receivable, for example, will involve checking the system whereby sales are notified to the accounting department, invoices and statements are prepared and sent out, customers' accounts are entered and followed up, cash is received and recorded and so on. Under this method, only the deficiencies of internal control procedures find their way into the audit work papers.

For and Against the Questionnaire

In common with most attempts to rationalize human behaviour, the questionnaire possesses both advantages and disadvantages. In the first place, as students of philosophy are well aware, the difficulties inherent in human communication are nowhere more clearly apparent than in explanation by question and answer; for the form of the question will usually dictate the content of the answer. It is very easy to prepare a questionnaire which contains nothing but questions of the 'Have you stopped beating your wife?' variety. The very first questionnaire on internal control to which the writer had to obtain answers nearly provoked a strike at the client's offices, so tendentious did the client's staff believe the questions to be. At a subsequent meeting of the client's senior accounting staff, called to discuss the findings disclosed by the questionnaire, it was generally agreed that the carefully devised questions were inapplicable to the particular organization.

The fault, however, should not be ascribed to questionnaires as a breed, though there is no doubt that many do not allow the questioner to answer the very important question 'Why is this done in this way?' as well as the more obvious one 'What is done in this particular circumstance?'

The advantages of the questionnaire, however, are so important that it is difficult to conceive of a thorough examination of a system of internal control which is not based upon a *well prepared* questionnaire. The system of internal control in force is mainly ascertained by asking questions and obtaining answers to them, and it is of great importance that the actual questions asked, as well as the answers obtained, should exist somewhere in a permanent record.

Secondly, the questionnaire as a part of the audit working papers is a guarantee that the review of internal control which is expected to be done as a part of the audit, is actually done. In many cases, an auditor is pressed for time during his work and may well be tempted to omit this vital function in order to be able to complete some other task which he believes to be of more immediate importance in preparing or verifying financial statements on behalf of the client.

Thirdly, the questionnaire enables a senior auditor to delegate some of the work of evaluating the system of internal control to comparatively junior members of his staff and in this way to free himself for other, more urgent duties. This is also of importance in training junior staff for subsequent responsibilities in the field of internal control ascertainment.

Finally, a thorough review of the system of internal control by means of a questionnaire can be performed at any time during the financial year, and therefore enables the auditor to distribute his activities over less crowded parts of the calendar.

Different Types of Questionnaire

One feature of this type of work which is often overlooked is that the same questionnaire will not serve for both internal and external auditing. Whereas the internal auditor will probably want to give priority to finding out whether management policies and practices are being adhered to, the external auditor's field of inquiry is at all times wider, and goes behind such policies and practices to the situations which they are intended to cover.

The most interesting series of *Case Studies in Internal Control*, published by the American Institute in 1949–50, are worthy of examination with these points in mind. The individual case studies were not presented as models to be copied, but were intended to be

> 'suggestive of procedures which may be employed by members of the profession in planning the review of internal control in actual practice'.

One of the questionnaires contained in these case studies, under the heading 'Cash Receipts', begins with these questions:

A. Mail receipts:

(1) Is the mail opened by someone other than the cashier or accounts receivable bookkeeper?

(2) Does the mail routine prohibit the delivery of unopened mail (other than personal mail) to employees having access to the accounting records?

(3) (*a*) Is a record of the money and checks received prepared by the person opening the mail?

(*b*) If so, is this record given to someone other than the cashier for independent verification of the amount recorded?

(*c*) Is this record compared with the cash receipts book regularly?

Stopping at this point it will be seen that the questions call for 'Yes' or 'No' answers and are therefore of limited usefulness in seeking the reasons for the particular practices revealed. Further, it is dangerously easy to answer such questions without giving the matter any serious thought.

An alternative opening to such a questionnaire might read as follows:

(1) Where is post delivered and how does it find its way to the place where it will be opened?

(2) Who opens incoming post?

(3) What record is kept of cash received in incoming post?

(4) Who distributes incoming post?

(5) What provision is made to ensure that all cash received in incoming post finds its way to the cashier's office?

The situations which occur in the daily operations of any business are so varied that a system of internal control cannot hope to maintain its effectiveness for more than a limited period of time. An example which shows this clearly is that of a clothing factory which permitted its employees to purchase its products at cost. A rule was laid down that no goods were to be taken directly from workshops or stockrooms, but must go to the packing department, accompanied by the sales slip, so that the packer could compare the article sold with the description on the sales slip.

The employees, however, devised a system of taking goods home 'on approval', in which case no sales slip accompanied them to the packer, but only an 'on approval' note. When the sales slip was eventually made out, there was no control over the price inserted, since the regulations contained no reference to this eventuality.

It is not maintained that this situation would necessarily come to light through completing a questionnaire in which the questions were directed at answering the further question 'Why?' but if an auditor had to answer the question 'What procedure is followed for making sales to employees?' and the proper line of inquiry were undertaken to obtain a full and complete answer, it is possible that the system of 'on approval' would turn up at some point.

Other Aids in Checking Internal Control

Usually, the ascertainment of internal control is a self-contained section of the audit assignment, and can be treated as such. It calls for a separate file of working papers, which will contain the questionnaire, any notes prepared by the auditor in the course of his work, and copies of all forms and documents referred to, either in the answers to the questions or in the notes. A copy of any memorandum to the client on this subject would also be filed here.

To facilitate the work of the partner or senior auditor who has to review and evaluate the system of internal control revealed by the questionnaire, charts showing the distribution of responsibilities and flow of documents within the organization are of the greatest value. In preparing such charts, or flow diagrams, coloured inks or pencils will be found invaluable to separate the different routes which such responsibilities and documents have to travel.

A Profits Tax Puzzle

THE *SOUTH GEORGIA* DECISION EXAMINED

by T. J. SOPHIAN

As from April 1st, 1958, a flat rate of 10 per cent is chargeable by way of profits tax on profits, whether distributed or undistributed, though such profits will still be subject to abatement. Also, distribution relief will not be granted and distribution charges no longer levied in respect of chargeable accounting periods ending after April 1st, 1958.

While Section 33 of the Finance Act, 1948, which deals with 'abatement' of profits, will still continue to apply, the material provisions in that Act with regard to what constitutes respectively, a 'distribution' (Section 36), a 'net relevant distribution' (Section 34), and a 'gross relevant distribution' (Section 35) – with the exception of subsection (5) of Section 35, which defines the expression 'dividend' – will cease to operate, and are in fact repealed. Their presence is no longer required, having regard to the alterations referred to above, in the profits tax legislation.

Nevertheless, the point must not be overlooked that as regards earlier chargeable accounting periods the old law still applies, so that different codes may still have to be consulted when examining the profits tax position of companies.

New Point Determined

The difficult and complicated case of *C.I.R. v. South Georgia Co Ltd* ([1958] 2 W.L.R. 492) is therefore of quite considerable importance. In this case the House of Lords determined a new point with regard to the calculation of the net relevant distributions where a company which had suffered a trading loss but had received franked investment income during the relevant chargeable accounting period, then proceeded to make a distribution of profits of an amount smaller than the franked investment income.

The question that was raised in this case was whether the company had thereby attracted a distribution charge; for, in the circumstances, although there was franked investment income, the distribution had obviously been made out of past profits in respect of which non-distribution relief had been granted. In effect, no income at all had been received by the company during the relevant period which could have been applied to the distribution of the profits, the franked investment income which had been received being insufficient in amount to wipe out the trading loss.

Franked Investment Income

For profits tax purposes, a company must include in its profits not only its trading profits, but all income it has received from investments and other property, other than income received from other companies, which are themselves subject to the charge, i.e. franked investment income. It is immaterial, however, for this purpose, whether such other companies have or have not been liable to pay profits tax.

It may be observed here that profits, including franked investment income not exceeding £2,000, are completely exempt from liability to pay the tax. Where the profits plus the franked investment income amount to between £2,000 and £12,000 abatement relief is allowed. On the other hand, when they exceed £12,000, no such relief can be claimed.

It is curious that for some purposes of profits tax, account has to be taken of the franked investment income, as where abatement relief is available, and yet for other purposes it is completely disregarded, as where the amount of the chargeable profits has to be calculated.

The reason, of course, why the franked investment income, such as dividends received from other companies, must be disregarded in the computation of the chargeable profits is because the franked investment income represents profits which have already been subject to the charge of profits tax in the hands of other companies from whom the profits have been received.

Gross Relevant Distributions

To turn now to the question of distributions. Before one could determine the amount of the net relevant distribution one had to determine firstly the amount of the gross relevant distributions, bearing in mind for this purpose that 'distributions' themselves had a special meaning under Section 36 of the Finance Act, 1947 (now repealed).

Briefly, the distributions would consist of the dividends declared though they might also include cash bonuses, and in the case of director-controlled companies, remuneration loans and other benefits received by the directors.

Gross relevant distributions would consist of the dividends declared not later than six months after the end of the particular chargeable accounting period, and other distributions of profits. In respect of the last chargeable accounting period, as for instance where there was a winding up, the gross relevant distribution would consist of so much of a distribution as was not a distribution of capital (Section 35 of the Finance Act, 1947, now also repealed with the exception of subsection (5), which defines the expression 'dividend').

Net Relevant Distributions

To consider now what were the net relevant distributions. The material provision was Section 34 (2) of the Finance Act, 1947 (now also repealed). The net relevant distributions were to be 'so much of the gross relevant distributions . . . as bears to the whole of the said gross relevant distributions the same proportion that the profits for that period bears to the profits therefor computed without abatement and including franked investment income'.

Pausing there for a moment, it may be pointed out that this, the earlier part of the subsection, governed the case where the gross relevant distributions *did not exceed* the total of the profits (before abatement) and the franked investment income.

Where they did exceed the total, then the proviso to subsection (2) of Section 34 came into operation. Under this proviso, the net relevant distributions were to be the total of '(*a*) the profits for the period computed with due regard to the provisions for abatement but not including franked investment income; and (*b*) the amount of the excess' (i.e. the excess of the gross relevant distributions over the above total of profits (before abatement) and franked investment income).

The Material Facts and Figures in *C.I.R. v. South Georgia Co Ltd*

It was this proviso which raised a difficult question in the case of *C.I.R. v. South Georgia Co Ltd.*

The material figures were as follows:

	£
Profits (i.e. the trading profits, excluding the franked investment income)	−602,000
Franked investment income	272,000
Gross relevant distributions (consisting of dividends paid)	181,818

On these figures the question for determination was whether it could be said that the gross relevant distributions, i.e. the dividends paid out and amounting to £181,818, exceeded the profits (without abatement) *minus* £602,000 and including franked investment income £272,000, so that the proviso to Section 34 (2) applied. If the proviso applied, then the net relevant distributions would have been the total of (*a*) the profits (after abatement), i.e. *minus* £602,000 (i.e. nil); and (*b*) the excess of the gross relevant distributions (of £181,800) over (i) the profits before abatement, minus £602,000, or nil, *plus* (ii) the franked investment income of £181,818. In other words, if the proviso applied, the sums to be *added* would have been nil plus nil plus £181,818=£181,818, and the net relevant distributions would have been £181,818. As this money could only have been paid, in the circumstances, out of the undistributed profits, which had received non-distribution relief, a distribution charge on the sum of £181,818 would have been attracted.

On the other hand, if the proviso did not apply, then the earlier part of the subsection it was agreed would have operated to bring about a nil assessment.

The Opposing Contentions

The opposing contentions of the Revenue and the taxpayer depended on whether one calculation was required (as the Revenue argued) or whether, on the other hand, two calculations were necessary (as the company argued).

The Revenue's contention may thus be summarized: As there was a loss of £602,000 in respect of the trading profits and a receipt of £272,000 in respect of franked investment income, there was still a *minus* balance of £330,000, or nil, if there was one computation to be made of both items of profits and franked investment income. Therefore the dividends of £181,818, i.e. the gross relevant distributions in this case, exceeded nil; for the profits before abatement and the franked investment income were nil. Accordingly, the proviso applied, and the amount of the *excess*, on that basis, as indicated above, was £181,818, which was the amount which attracted the non-distribution charge.

The Company's Argument

The company, on the other hand, contended as follows:

Two computations were necessary. One had to consider *firstly*, whether the gross relevant distribution of £181,818, exceeded the profits, minus £602,000, the answer to which was 'Yes'. *Secondly*, one had to consider whether they (£181,818) exceeded the franked investment income (£272,000), the answer to which was 'No'. Therefore the gross relevant distributions did not exceed 'the profits (before abatement) and including franked investment income' and accordingly the proviso did not apply. This, then, brought the case within the earlier part of the subsection, and it was agreed the computation required by the earlier part of the subsection produced a nil figure.

The Divisor under the Earlier Part of Section 34 (2)

The earlier part of the subsection, which applied where the gross relevant distributions did *not* exceed the profits (before abatement), including the franked investment income, required a divisor to be applied to the gross relevant distribution for the purpose of arriving at the net relevant distribution. This divisor was ascertained by taking as the numerator the profits after abatement, and as the denominator the profits before abatement plus the franked investment income. The divisor therefore may be expressed thus:

$$\frac{\text{Profits after abatement}}{\text{Profits before abatement} + \text{franked investment income}}$$

If one seeks to ascertain what the divisor would have been on the figures of the *South Georgia* case, it would have been

$$\frac{-\pounds602{,}000}{-\pounds602{,}000 + \pounds272{,}000} = \frac{\text{minus}}{\text{minus}} = \text{nil}$$

Basis of Decision

The House of Lords arrived at their decision in the *South Georgia* case on the grounds that having regard to paragraph 7 of Schedule IV to the 1937 Finance Act, as amended by Section 32 of the Finance Act, 1947, 'profits including franked investment income' had a meaning which required a single ordinary commercial computation to be made of the profits and the franked investment income together, of which the result could be to show some profit, or to show no profit, or to show a loss. That interpretation requiring such a single computation was required in the view of the House for the purpose of determining whether the proviso to Section 34 (2) of the Finance Act, 1947 (now repealed), applied.

Indeed, on any other view a company could, for year after year, have continued to pay dividends which could only have come out of undistributed profits, and yet have escaped from any payment of distribution charge, so long as, even after including franked investment income, it showed no profit.

Conclusion

One may perhaps conclude by drawing attention to the observations of Lord Keith as to the effect of the calculations that had to be made for the purpose of determining the net relevant distributions.

Thus the noble lord said ([1958] 2 W.L.R., at pp. 503–504):

> 'A few calculations will show that where the amount distributed as dividend to the shareholders is less than the profits plus the franked investment income (if any) of a company for the relevant accounting period the "net relevant distribution" calculated according to the first part of the subsection will always be less than the profits. A balance is attained where profits and franked investment income exactly meet the amount distributed as dividend. There is then a net relevant distribution equal to the profits. No occasion arises for non-distribution relief nor for a distribution charge. The profits excluding franked investment income are taxed at the full rate of charge and that is all. But where the dividend to the shareholders is greater than the profits including the franked investment income, the formula so far applied breaks down. It takes no account of the sum drawn from reserves to make up the dividend and so the figure brought out as the net relevant distribution will not be appropriate for the purpose of calculating the distribution charge under Section 30 (3) of the statute. A new formula, as prescribed by the proviso, is accordingly introduced to be applied where the dividend paid out in any year is greater than the profits including franked investment income. This achieves, at least where there is a profit, that the full profits tax is charged. Tax at 22½ per cent is charged on the profit for the year, excluding the franked investment income. The franked investment income which has already borne the full tax and is now distributed to help to make up the dividend pays nothing further, and on the balance, which *ex hypothesi* has been drawn from past profits to meet the dividend and has already borne tax at the rate of 2½ per cent in respect of non-distribution relief, the company pays the distribution charge of 20 per cent.'

Transferring Articles of Clerkship

by AN ARTICLED CLERK

THE question of training under articles is frequently discussed, especially since integration. As a contribution to this discussion, my experiences as an articled clerk who transferred his articles from a small firm, after obtaining the Intermediate examination, to a large one might well be of interest, whether to those contemplating a similar step or not.

By the term 'small' I refer to a firm of about ten clerical and audit staff supervised by two partners; and by 'large' to one with a staff of over 100 with a branch office, and seven partners. These adjectives are purely relative, but it is within this context that they are applied. Both firms were situated in the provinces.

Pre-Intermediate Training

I must first state the experience I obtained with my first firm, as my reason for wishing to transfer lay not in the lack of practical training, but rather in a desire to broaden my experience under articles as far as possible. Generally, I felt that the training afforded was of a high order. That is to say, I was given initially a thorough grounding in the essentials of auditing. This lasted several months, and, although at times tedious and frustrating, proved of great benefit in developing a methodical approach. After this first period came visits to small businesses to assist in the audit and preparation of accounts; and then at various intervals the preparation by me of sole traders' accounts, generally from incomplete records. Although prepared mainly on the basis of the preceding years' working papers, and inevitably with advice from other members of the staff, the preparation of these small accounts gave one immense encouragement. They became most interesting as well as beneficial from an examination aspect, especially when one was allowed to deal with the taxation matters arising out of the accounts.

I was fortunate in that my principal was readily accessible, and showed much interest in my progress, so that by the time I reached Intermediate stage my experience extended to incomplete records, estate accounts, audit of partnerships, limited companies, etc., together with the taxation matters arising out of the various accounts. Being under the supervision either of my principal or a specific senior clerk, my practical guidance was consistent, and I was able to have personal contact with clients through them, which proved invaluable in formulating a personal approach to clients.

Making the Change

It might well be asked why, in the light of this training, which could hardly have been improved upon, I decided to change to another firm. My basic reason was that the organization and clientele of a larger firm were different in many respects, and I felt I would broaden my accountancy training in a manner not usually afforded to an articled clerk.

My principal was most understanding, but pointed out that there might be far less responsibility for an articled clerk in a large firm, and he might tend to be 'lost' on one large audit for long periods. Also, he considered that my contact with any partner would be somewhat remote. I gave much thought to these views, but decided that these were calculated risks, and that possible advantages were greater than possible disadvantages. I must admit, however, it was with not a little trepidation that I commenced the latter half of my articles in the manner indicated.

Having stated why I transferred, it might not be remiss to explain how. The mechanics of transfer of articles are quite simple, and are exactly the same as those necessary on first becoming articled. The only exception is that one's present principal has to signify his willingness to the transfer, and the succeeding principal, by signing the deed, assumes the position previously occupied by the former principal, in the words of the deed,

> 'as if the said articles had been entered into with the original principal down to the date hereof only and thereafter with the new principal for the remainder of the term stated in the said article'.

It is necessary to distinguish between transfer, which provides for the continuation of existing articles, and cancellation followed by new articles. In the latter, the interval between cancellation and the commencement of new articles does not form part of articled service. The only other difference is that once a principal assents to cancellation, he has no discretionary powers if new articles are contemplated, although he would no doubt be consulted as a matter of etiquette.

After Transfer

I proved again to be most fortunate in my choice, as not only did I have constant contact with my principal, but the work in fact was in many ways quite different from that encountered previously. Some work was obviously similar. 'Ticking and adding' were certainly not left behind and incomplete records were again encountered. As anticipated, I did indeed work on large audits, but fears of being 'lost' proved groundless, and with several members of the staff on an audit, I found that the time spent on any particular job was by no means alarming, public companies included. There were, of course, matters in which one would not be engaged, i.e. capital reorganization, but partners actually took the trouble to explain the principles involved and the relevant files were made available for my perusal, so that I learned much.

Incidental to the main work on an audit, I dealt with pension schemes, company insurance and even canteen accounts. When a company was the subject of a 'take-over bid', extremely interesting practical knowledge was obtained in following the sequence of negotiations, etc. All this work was of great help for the Final examination, and it would not have been possible for me to have met this work at my previous firm.

It is probable that in a large firm, an articled clerk has to make a greater effort to achieve variety and experience than his counterpart in a small firm, but providing he is prepared to do this, the results can be most rewarding. A great deal depends, naturally, on the organization of the firm. It is often the case that big practices with large numbers of staff and partners consist of several practices within a practice, each partner having his own staff and clients. Where this is so, the prospect of being one member of a staff of several hundreds is rendered less alarming.

There were several other aspects of my second firm to which I attach considerable importance, although not directly concerned with work. Only in a large organization is one likely to meet qualified accountants employed in commerce, discussions with whom were most interesting and beneficial.

Taxation Experience

In the second practice, a separate taxation department was not maintained. Instead, each partner was responsible for the taxation matters appertaining to his particular client, although, of course, they frequently consulted each other on matters of joint interest. This arrangement had the advantage of enabling one to become acquainted with a particular audit, and then to deal with the agreement of the figures with the Inspector of Taxes. After settling traders' income tax liability for my previous firm, I was quite surprised at the amount of information Inspectors required to agree the taxation computations appertaining to a medium-sized public company. I recalled somewhat nostalgically that my former computations had been contained on one or two sheets of paper; but the manner in which supporting schedules and statements were compiled gave one an invaluable standard for the future, and the fact that few queries were normally raised by Inspectors was a tribute to their comprehensiveness.

Reflections

The reader will no doubt have gathered that I found my venture to have been entirely justified, and he may wonder whether I would recommend the practice generally. In the absence of unusual circumstances I do not think it would be an advisable practice. Few principals would be pleased to have an articled clerk – whose training they had supervised for perhaps two or three years – express a wish for another firm, still less that he should actually join one. The principal's consent is, of course, always necessary, and it is possible for him to withhold it. An essential feature of articled service is that a personal relationship should exist between principal and articled clerk. This relationship would be endangered if the clerk were able to transfer his articles with impunity. Furthermore, the whole programme of training might be disrupted, which would be against all interests.

In the course of my comparison of respective practices, I have laid a certain amount of emphasis on the differing size. I have not intended to suggest or advocate that one size of firm is necessarily more beneficial. Each practice differs, irrespective of size, for the same reasons as do individuals. It may well be that an articled clerk who transferred in the reverse direction to myself could narrate similar benefits.

I have written at some length on the advantages which accrued to me on transfer, and I must consider the disadvantages. Responsibility was sacrificed, and whereas I had been accustomed to letter writing almost daily in my first firm, after transfer, I wrote none at all. On reflection I do not think this was a great sacrifice, but it is without doubt an asset to be versed in this essential part of practice. Apart from these, however, I can think of no other disadvantage of consequence.

The Institute of Chartered Accountants in England and Wales

RECOMMENDATION ON ACCOUNTING PRINCIPLES, No. 20

Treatment of Investments in the Balance Sheets of Trading Companies

Reproduced below is the third of the new Recommendations on Accounting Principles which have recently been issued by the Council of The Institute of Chartered Accountants in England and Wales. Whilst recognizing that the form in which accounts are submitted to shareholders is – subject to compliance with the Companies Act, 1948 – a matter within the discretion of directors, the Council express the hope that the recommendation will be helpful to members in advising, in appropriate cases, as to what is regarded as the best practice. The recommendation, which is the subject of a leading article on another page, will undoubtedly be read with interest by all our readers.

(The other new recommendations – No. 18: Presentation of Balance Sheet and Profit and Loss Account, and No. 19: Treatment of Income Tax in Accounts of Companies – were reproduced in the issues of November 15th and November 22nd, respectively.)

Introduction

THIS Recommendation relates only to assets which are normally found in a balance sheet of a trading company under the heading 'Investments', including in particular stocks, shares and similar securities but not including such assets as rights in real property. It does not necessarily apply in the special circumstances of:

(*a*) banks, assurance companies and other companies exempted from certain requirements of the Eighth Schedule to the Companies Act, 1948

(*b*) investment trust companies

(*c*) companies which deal in shares and similar investments.

General Considerations

(2) Paragraph 4 (1) of the Eighth Schedule to the Companies Act, 1948, requires that the assets of a company shall be classified under headings appropriate to the company's business and paragraph 4 (2) requires that 'fixed assets shall be distinguished from current assets'. These requirements are however subject to the overriding requirement of Section 149 of the Act that 'every balance sheet of a company shall give a true and fair view of the state of affairs of the company as at the end of its financial year'.

(3) Fixed assets have the fundamental characteristic that they are held with the object of earning revenue, directly or indirectly, and not for the purpose of sale. Trade investments and investments in subsidiaries are therefore properly classified as fixed assets of a company and so also are other investments which are intended to be held continuously.

(4) Investments which are fixed assets have characteristics which distinguish them from other fixed assets and therefore they may be grouped under a separate balance sheet heading. The requirements of the Eighth Schedule in regard to stating the methods used to arrive at the amount of fixed assets apply to investments so grouped.

(5) Readily realizable investments which represent funds available but not immediately required for use in the business are properly classified as current assets. To show such investments otherwise than as current assets would distort the view of the current asset position.

(6) Investments are normally stated in the balance sheet at cost, subject to any necessary provision for diminution in value. In deciding whether such provision is necessary:

(*a*) where investments are held as fixed assets the material consideration will be their long-term value to the business rather than their current market value. A provision will normally be necessary if there has been a material diminution in value of an apparently permanent nature even though a loss has not been realized at the balance sheet date

(*b*) where investments are held as current assets the material consideration will be their current market value. If at the balance sheet date the market value of quoted investments is below the amount at which they are stated in the balance sheet, the disclosure of that value (in compliance with paragraph 11 (8) of the Eighth Schedule) will indicate the diminution in value; but in the absence of special circumstances it would not be satisfactory merely to give such an indication by means of a note, because an overstatement of the total current assets (and in turn the reserves) will not be avoided unless a provision is made for the diminution in value.

(7) There are two methods of estimating the amount of the provision for diminution in value of investments:

(*a*) by comparing the cost of each investment with its value and providing for the full diminution in value of those investments, which have diminished in value without taking into account any appreciation in value of other investments

(*b*) by comparing the aggregate cost of the investments held or of appropriate groups of them with their respective aggregate values.

The adoption of the first method is clearly the more conservative and almost invariably has the result of stating the aggregate of an investment portfolio at less than market value. If the method adopted is not consistently followed from one year to another a note on the accounts of the later year may be necessary to indicate that there has been a change in the method of estimating the provision.

Interests in Subsidiaries

(8) Paragraph 15 (2) of the Eighth Schedule provides that 'the aggregate amount of assets consisting of shares in, or amounts owing (whether on account of a loan or otherwise) from, the company's subsidiaries, distinguishing shares from indebtedness shall be set out in the balance sheet separately from all the other assets of the company'. A practice which is commonly adopted to meet this requirement is to group together, under one suitable heading such as 'interests in subsidiaries', the separate totals of shares in subsidiaries and either:

(*a*) the aggregate amount of indebtedness of subsidiaries, whether on loan accounts or otherwise, or

(*b*) the separate aggregates of –
  (i) long-term loans and advances to subsidiaries whether secured or otherwise
  (ii) other amounts owing by subsidiaries such as short-term advances and current accounts.

(9) It may, however, be considered that in order to show a true and fair view the amounts owing from subsidiaries on current account and short-term advances should be grouped with current assets. For the purpose of such grouping it is essential to include only amounts which can properly be described as current assets, namely, current accounts which are regularly paid and temporary advances to be repaid shortly; in practice it will often be found that part of the amount described as owing on current account could in fact be more properly described as being a long-term advance and would therefore be unsuitable for grouping with current assets. If all amounts which may properly be described as current assets were eliminated from the aggregate of interests in subsidiaries, the residue (consisting of shares, debentures and other long-term loans and advances) would fall to be classified as fixed assets. Where it is the practice of the holding company to take into account dividends proposed to be paid by subsidiaries it will not be appropriate to include such dividends under current assets unless they are intended to be paid in cash or discharged through a genuine current account.

(10) The provisions of the Eighth Schedule in relation to interests in subsidiaries would appear to permit either:

(*a*) one aggregate (with appropriate sub-division such as that indicated in paragraph 8 above) to be stated in the balance sheet under a suitable heading shown as an intermediate group between fixed and current assets, or

(*b*) two aggregates (with appropriate sub-division) to be stated in the balance sheet, one grouped with fixed assets and the other grouped with current assets

according to which method appears to satisfy the overriding requirement of Section 149 to show a true and fair view. Method (*a*), whereby all interests in subsidiaries are grouped together, is usually to be preferred. It is rarely possible to make the complete segregation of the current asset element which is essential for method (*b*).

(11) Paragraph 15 (2) of the Eighth Schedule provides that the aggregate amount of indebtedness (whether on account of a loan or otherwise) to the company's subsidiaries shall be set out in the balance sheet separately from all its other liabilities. Whether this aggregate should be shown as a deduction from interests in subsidiaries instead of being grouped with liabilities is a question for careful consideration in the circumstances of the case, having regard to the overriding requirement to show a true and fair view. If the indebtedness is not in fact likely to be discharged by payment, for example where a subsidiary has lent surplus funds to the holding company, it may be appropriate to deduct the indebtedness from interests in subsidiaries.

(12) Normally there will be no difficulty in establishing the cost of interests in subsidiaries when the investments have been acquired from third parties. Where however the consideration to a third party for the acquisition of an interest in a subsidiary is the issue of fully-paid shares in the holding company, the cost of the interest thus acquired is the value properly attributable to the shares of the holding company issued in exchange; this is not necessarily their nominal value.

(13) If a subsidiary declares dividends in excess of its profits earned subsequent to the date as from which it was acquired as a subsidiary by the holding company, any such dividends received by the holding company need to be apportioned between capital and revenue; the net amount apportioned to capital is a deduction from the cost of the investment in the subsidiary, as such amount represents in effect a recovery of part of the purchase price.

(14) Whichever of the methods set out in para-

graph 10 is adopted there is no requirement in the Eighth Schedule for interests in subsidiaries to be shown on the basis normally required for fixed assets, that is to say, a disclosed aggregate of cost or valuation less a disclosed aggregate of depreciation; nor does the schedule require the profit and loss account to show either the amount of any provision made for diminution in value or, as the case may be, that no such provision has been made. These exceptions from the normal requirements relating to fixed assets are specified in paragraph 15 (2) of the Eighth Schedule.

(15) On the other hand, paragraph 4 (3) of the Eighth Schedule provides that the method or methods used in arriving at the amount of the fixed assets under each heading shall be stated; there is no exception from this requirement in the case of fixed assets consisting of interests in subsidiaries. It is therefore necessary to state the method or methods used, whether the whole or any part of the aggregate of the interests in subsidiaries is grouped with fixed assets or whether it is shown in an intermediate group between fixed and current assets.

(16) Where provision has been made for diminution in value of interests in subsidiaries the amount need not be disclosed but the fact that such provisions has been made must be stated in the balance sheet. 'Provision' for diminution in value does not include amounts which are required to be treated as reserves because they are in excess of what is reasonably necessary for the purpose and were not written off in relation to interests in subsidiaries before July 1st, 1948.

(17) The amount at which interests in subsidiaries stand in the balance sheet is not normally a current valuation. Provision is made for any material diminution in value of a permanent character (see paragraph 6) but unrealized appreciation is not brought into account except in special circumstances, such as on revaluation of all the assets of a company or group.

Investments by a Subsidiary in Fellow Subsidiaries

(18) Paragraph 16 of the Eighth Schedule requires indebtedness with fellow subsidiaries to be shown separately. This requirement does not extend to shares held by a subsidiary in a fellow subsidiary. It will however normally be desirable for such shares to be shown separately, notwithstanding that the Eighth Schedule appears to permit of their being included under 'trade investments' of which the aggregate only need be shown.

Trade Investments

(19) Trade investments comprise broadly:

(*a*) investments acquired and held primarily in order to protect the company's goodwill, or to facilitate or further its own existing business, rather than for income or appreciation in value

(*b*) investments representing a substantial but not a controlling interest in another company or undertaking, particularly where the company has the right to appoint its own representatives to take part in the management. Such holdings are often referred to as 'Investments in associated companies'.

NOTE: Investments in subsidiaries often fall within the above definition but they have been dealt with separately since they are required by the provisions of paragraph 15 (2) of the Eighth Schedule to be set out in the balance sheet separately from all other assets of the company. Similarly, investments held by a subsidiary either in its holding company (which must have been acquired before July 1st, 1948) or in its fellow subsidiaries often fall within the above definition of trade investments.

(20) Where investments or other interests in associated companies (see paragraph 19 (*b*)) are material it will normally facilitate the showing of a true and fair view if such interests are shown as a separate group under the general heading of 'trade investments'. In certain circumstances loans and advances to and other indebtedness of an associated company will properly be shown under the general heading of 'trade investments'.

(21) Trade investments are properly classified as fixed assets of a company and therefore the method used to arrive at the amount at which they are shown in the balance sheet must be stated in order to comply with paragraph 4 (3) of the Eighth Schedule. This applies even though such investments are shown in the balance sheet under a separate intermediate group heading. In addition, if the market value (or in the case of investments not having a market value, the value as estimated by the directors) of the trade investments is not shown either as the amount of the investments or by way of note, sub-paragraph 5 (1) of the Eighth Schedule applies; this sub-paragraph requires such investments to be shown in the balance sheet at their aggregate cost (or, if they stand in the company's books at a valuation, the amount of the valuation) with a separate deduction to show the amount provided or written off since the date of acquisition or valuation, as the case may be, for diminution in value.

(22) For the purpose of providing for diminution, if any, in value of trade investments, the value to the holder of a trade investment is not necessarily either its market value or its realizable value. Consideration of the relation of the trade investments to the business as a going concern is necessary, for which purpose enhanced goodwill and trading facilities may also need to be taken into account.

(23) Where trade investments include an investment in a company which earns or has earned very substantial profits and accumulated large reserves, the amounts distributed by it in dividend being relatively insignificant, the long-term value of the trade investments may be greatly in excess of the amount at which they are stated in the balance sheet. This excess would not be apparent from the balance sheet and would not normally be reflected elsewhere

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Since January 1st, 1954, there have been the following changes in the Bank Rate:

3%	May 13th, 1954
3½%	January 27th, 1955
4½%	February 24th, 1955
5½%	February 16th, 1956
5%	February 7th, 1957
7%	September 19th, 1957
6%	March 20th, 1958
5½%	May 22nd, 1958
5%	June 19th, 1958
4½%	August 14th, 1958
4%	November 20th, 1958

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in the accounts because (unlike a subsidiary) the retained income would not be apparent from consolidated or group accounts. Some explanation may therefore be needed in these exceptional circumstances to enable the accounts to show a fair view.

Other Investments – Quoted

(24) Quoted investments are defined by paragraph 28 of the Eighth Schedule as investments as respects which there has been granted a quotation or permission to deal on a recognized stock exchange, or any stock exchange of repute outside Great Britain.

(25) Quoted investments (other than trade investments and investments in subsidiaries or fellow subsidiaries which may happen to be quoted) will in the absence of special circumstances represent funds available but not immediately required in the business and will be properly classified as current assets.

(26) Compliance with the requirements of paragraph 8 (3) of the Eighth Schedule entails the subdivision, where necessary, of the heading showing the amount of the quoted investments (other than trade investments and investments in subsidiaries or fellow subsidiaries which may happen to be quoted) to distinguish the investments as respects which there has and those as respects which there has not been granted a quotation or permission to deal on a recognized stock exchange. A recognized stock exchange is defined by Section 455 of the Companies Act as any body of persons which is for the time being a recognized stock exchange for the purpose of the Prevention of Fraud (Investments) Act, 1939. No stock exchange outside Great Britain is recognized for this purpose, but the requirement of the Eighth Schedule is of less practical importance than it was when the Companies Act was passed, as The Stock Exchange, London, has since granted permission to deal in most securities quoted on stock exchanges of repute abroad.

(27) Where the market value of quoted investments (other than trade investments and interests in subsidiaries or fellow subsidiaries) differs from the amount at which such investments are stated in the balance sheet, paragraph 11 (8) of the Eighth Schedule requires the aggregate market value to be shown. In respect of quoted investments, market value is normally calculated by reference to a stock exchange quotation. If the quotation used is taken from an overseas stock exchange and the currency of the country in which the shares are quoted is unstable or subject to close exchange control it will be necessary, if the matter is material, to deal with the position by note. If the market value of investments is taken as being higher than their stock exchange value, the stock exchange value of any such investments must also be shown to comply with paragraph 11 (8) of the Eighth Schedule.

(28) When calculating the market value of a quoted investment by reference to the stock exchange quotation:

(*a*) it is normal to use the middle market price (the mean of the two quotations shown in the Stock Exchange Official List). If any other basis is adopted it may be desirable to give an indication of the precise basis used

(*b*) if there has not been a recent marking the quotation may be unreliable as a guide to market value. If there has been no marking for a long time there may be no quotation. In either case it is advisable to ask a stockbroker to obtain a quotation from the market

(*c*) where accrued interest and dividends are included in the accounts, for example under debtors, no adjustment to the market price is required if that price is ex div., but if the price is cum div. an adjustment would be necessary to exclude the net accrued interest or dividend.

(29) Having regard to the short period and the purpose for which treasury bills are normally held, they are properly classified as current assets and entered in the balance sheet either 'at cost' or 'less rebate' (that is to say at their face value discounted at the market rate, this being their realizable value at the date of the balance sheet).

Other Investments – Unquoted

(30) An unquoted investment is defined negatively in paragraph 28 of the Eighth Schedule as an investment as respects which there has *not* been granted a quotation or permission to deal on a recognized stock exchange or any stock exchange of repute outside Great Britain. Unquoted investments in a company's balance sheet will therefore normally comprise such items as:

(*a*) shares or other securities of private companies

(*b*) unquoted securities of public companies.

There are certain other investments within the general category of unquoted investments which differ from the more normal types mentioned above and therefore require to be treated according to the circumstances. Examples of such investments include mortgages and those which produce a surplus on maturity instead of an annual income, such as sinking fund policies and reversions. In certain circumstances loans to individuals or companies may be investments. The more important of these special types of unquoted investments are dealt with briefly in the next six paragraphs. Where special types of unquoted investments are material in amount it is a matter for consideration whether the description 'unquoted investments' without amplification is appropriate.

(31) Where unquoted investments are current assets they will normally be stated in the balance sheet at cost, or, if on a reasonable estimate current value is considered to be less than cost, then at that current value. To provide for diminution in value of such investments not only conforms to best accounting practice but is particularly desirable because the requirement set out in paragraph 11 (8) of the Eighth Schedule to state the aggregate market value of

quoted investments (other than interests in subsidiaries and trade investments) where it differs from the balance sheet amounts of the investments, does not apply to unquoted investments. For the same reason, paragraph 11 (7) of the Eighth Schedule has particular relevance to unquoted investments which are current assets; this sub-paragraph requires the directors to state if in their opinion any of the current assets have not a value, on realization in the ordinary course of the company's business, at least equal to the amount at which they are stated.

(32) Where a company holds unquoted shares of companies which do not provide for depreciation or diminution in the value of such of their assets as diminish in value (such as certain mining companies) the investment itself will become a wasting asset since the assets underlying it are decreasing in value. The dividends received from the investment may include in effect a partial return of capital. It is necessary to consider whether provision should be made for the diminution in the value of such an investment.

(33) There are certain types of investment which are normally held until maturity. One such investment is a sinking fund policy on which (except in the early years) there is an annual increase in value in addition to the premiums paid. This increase (analogous to the interest which would be earned by placing the amounts of the premiums on deposit at interest) is the increase in the surrender value for the year less the premiums paid during the year. Such a policy can readily be realized at its surrender value at any time. For these reasons the annual increment may be taken into account each year on the ground that it is inappropriate to wait until maturity and then treat the whole excess over premiums paid as an appreciation in value arising entirely on maturity.

(34) Normally such policies will be stated in the balance sheet at surrender value. In the early years however, when cost is higher than surrender value, they need not be stated at lower than cost unless early realization is intended; where they are stated at cost the surrender value will be shown by note.

(35) Some companies, which hold a sinking fund policy for the purpose of replacing an asset which diminishes in value, adopt a practice whereby they write off the annual premiums as a charge to profit and loss account. They maintain the asset at cost in the balance sheet and state by way of note that a sinking fund policy is held and the amount of its surrender value.

(36) The classification of mortgages depends upon the purpose for which they are acquired and held. Where a mortgage is intended to be held on a long-term basis it may be classified as a fixed asset in which case the normal rules regarding the balance sheet treatment and valuation of fixed assets will apply. If, however, the mortgage is readily realizable and merely represents funds not immediately required in the business it will be grouped with current assets and, unless there are exceptional circumstances, valued on the same basis as other debts.

RECOMMENDATIONS

(37) It is recommended that the following principles should normally be applied in connection with the treatment of investments in the balance sheets of trading companies whose normal business does not involve either dealing in investments or the holding of investments other than in subsidiaries.

Classification

Fixed assets

(38) Investments which it is intended to hold continuously, for example trade investments and interests in subsidiaries, should be classified as fixed assets.

(39) Investments which are fixed assets may be distinguished from other fixed assets of the company by showing them under a separate heading. Where investments are so shown the requirements of paragraph 4 (3) and (except in the case of interests in subsidiaries) paragraph 5 of the Eighth Schedule in regard to fixed assets will apply as if the investments were shown under fixed assets.

(40) Shares held by a subsidiary in a fellow subsidiary should be shown separately.

(41) Where interests in associated companies are material they should be stated separately under the general heading of 'Trade investments' or under a heading of their own.

Current assets

(42) Quoted and other readily realizable investments (other than trade investments, investments in subsidiaries and fellow subsidiaries, and other investments intended to be held continuously, even though they may happen to be quoted or are otherwise readily realizable) should be classified as current assets, to do otherwise would distort the view of the current asset position.

Special considerations applicable to holding companies

(43) Interests in subsidiaries, which may consist of shares in subsidiaries and amounts owing by subsidiaries in respect of debentures or otherwise, should generally be shown as one group in the balance sheet of the holding company. It may however be desirable to group with current assets the aggregate of the temporary advances and/or the amounts due on current accounts which are regularly paid, provided it is possible to segregate the whole of such amounts from other indebtedness of the subsidiaries to the holding company.

(44) A holding company's indebtedness to its subsidiaries should normally be grouped with liabilities but should be stated separately. Such indebtedness may however be shown as a deduction from interests in subsidiaries in appropriate circum-

stances, for example where the subsidiaries lend their surplus funds to the holding company.

Valuation

Diminution in value

(45) Provision should be made for the diminution in the value of investments:

(*a*) where the market value at the date of the balance sheet of investments which are current assets is lower than cost

(*b*) where the value to the business of investments which are fixed assets appears to have decreased permanently below cost.

(46) Provision for diminution in value, calculated by one or the other of the methods referred to in paragraph 7, should not exceed the amount required to reduce cost to market value at the date of the balance sheet in the case of investments which are current assets or to long-term value in the case of investments which are fixed assets.

Appreciation in value

(47) Exceptional circumstances may arise in which an undertaking, wherein an important trade investment is held, has retained and accumulated profits on such a scale that the income which reaches the investor company and the amount at which the investment is carried in the accounts are a wholly inadequate reflection of the value of the investment, although this fact is not apparent from the trade investments item in the balance sheet or from the accounts as a whole. In such circumstances consideration should be given to the question whether the relative importance of the matter is such that without some explanation in the accounts they would fail to show a fair view.

Interests in subsidiaries

(48) The requirements of paragraph 4 (3) of the Eighth Schedule to state the method or methods used to arrive at the amounts at which fixed assets are stated in the balance sheet should be complied with in respect of interests in subsidiaries. This applies whether such interests are grouped with fixed assets or shown as a separate group; it does not apply to any part of such interests grouped with current assets.

Sinking fund policies

(49) Where a sinking fund policy is shown in the balance sheet otherwise than at surrender value the surrender value should be shown by note.

Treasury bills

(50) Treasury bills should be shown as current assets and should be stated at cost or at their face value discounted at the market rate.

Weekly Notes

Inflation Can Be Killed

OPENING the national conference of The British Institute of Management at Brighton on Wednesday evening, Sir Harold Howitt, G.B.E., D.S.O., M.C., D.L., F.C.A., one of the three members of the Council on Prices, Productivity and Incomes, said that Britain has at the present time a 'golden opportunity' to kill inflation.

Referring to current helpful factors such as the drop in import prices, the slackening of wage increases and the decline in profits, he added: 'If we do not seize this opportunity we shall have only ourselves to blame. We shall be committing ourselves and our successors to the hopeless prospect of chasing our own tails and eventually ending in disaster.'

Sir Harold went on to say that there were some who avowedly welcome inflation as a means of benefiting those with adjustable incomes as compared with those living on fixed incomes in various forms; there were some who think a little inflation is good for morale on the principle 'A little of what you fancy does you good'; there were some who think it is a good way, whether reputable or not, of reducing the load of debt as certain competing countries have found. And, finally, there was the view that it has been with us since William the Conqueror and always will be, so why bother? He added:

> 'I take the view, rightly or wrongly, that inflation is an evil thing; that so-called creeping inflation with its cumulative effects may soon become galloping inflation and will get out of hand; and that it is wrong to think that inflation of the present order has ever been with us before.'

Referring to the fact that retail prices were today nearly four times the 1914 level, Sir Harold said that with such a picture, complacency was impossible. It was no use paying lip-service to the desirability of killing inflation unless we were prepared to take the medicine involved in the process.

Bank Rate at 4 per cent

THE reduction of the Bank rate from 4½ to 4 per cent last week came as a surprise. It is true that the Government faces a large funding operation in the New Year, and that not much time is left before Christmas for Bank rate to be reduced further in anticipation of funding operations, but few had expected that the Government would take this action for preparing the market.

So far as general economic policy is concerned, the meaning which a further reduction in Bank rate carries must be that the Government is more concerned at the moment with the dangers of deflation than with the perils of inflation. The announcement last week that Bank rate would be reduced almost coincided with a statement to local authorities that the curb on their investment in housing and schools had been withdrawn. They are now encouraged to undertake investment which can be speedily put in hand and quickly brought to an advanced state. In other words, they are being encouraged to create employment as quickly as possible.

This relaxation in local authority investment cannot have much impact before the early spring; meanwhile, the reduction in Bank rate following not long after the relaxation of hire-purchase controls, is expected to create within the business community a feeling that money is easier. This is probably expected to encourage both long-term investment and an increased holding of stocks. It has been apparent since the summer that raw material and semi-finished stocks have been run down, although stocks of finished goods have in some industries tended to increase. If industry can be persuaded to increase its holding of stocks against an upsurge in activity next spring, a quick impact may be made on coal and steel, two basic industries which are both suffering a decline in activity.

Free Pension for Workers

THE value of employee pension schemes as a means both of attracting and holding staff is increasingly recognized by managements, but generally speaking the main beneficiary of this development has been the white-collar worker. The Pressed Steel Co Ltd has announced, however, that it is replacing its existing contributory pension scheme, which started in 1942, with a new non-contributory scheme for its works employees. All works employees aged between 20 and 65 will, as from December 1st, enjoy free life cover at the company's expense after only four months' service. The minimum cover for male workers will be £250 rising in stages of £50 for each successive two years of service to a maximum of £500. The corresponding figures for female workers are half those for males.

All works employees on reaching their sixty-fifth birthday in the company's service (60 for women), subject to a minimum period of ten years' continuous service, will be entitled to a pension of 10*s* weekly. For each year of continuous service in excess of ten years, but subject to a maximum of thirty years, one extra shilling per week will be added to the basic pension. Subject to their having completed two years in the company's employ, all male workers under 35 and all women under 30 may enter the scheme. According to the management, the purpose of these non-contributory pensions is to provide a supplement to the State pension which will cushion to some extent the fall in living standards which the average retired person inevitably suffers if dependent entirely on his State benefit. Any worker wishing to make additional provision for his retirement may do so by contributing a further sum weekly in addition to that provided by the company. In the event of the employee leaving the company, he is entitled to a refund of his contributions.

The company deserves credit for introducing this new scheme, but the retirement benefits would be more attractive and certain were it not for the threat of inflation.

Progress on the Free Trade Area?

THE decision of General de Gaulle and Dr Adenauer to meet this week to discuss an alternative plan to the Free Trade Area has touched off a renewed burst of optimism about the liberalization of European trade. The immediate source of optimism is the statement by Herr Holstein, chairman of the Common Market Commission, who indicated last week-end that there is a large measure of agreement between the French President and the German Chancellor.

It is difficult to see at this stage what significant progress can be made with Free Trade Area talks in spite of the measure of agreement between France and Germany. The political trends are all against it. The French elections have caused a swing to the right, and this is not likely to help the friends of the Free Trade Area in France. Germany is unlikely to spoil the Franco-German political honeymoon at the present time by trying to force down the throats of French politicians the economic arguments of the Scandinavians and the British.

There has been some talk of a limited Free Trade Area embracing, say, Scandinavia and the United Kingdom. Any hurried move in this direction would probably do more at the moment to split Europe into two trading camps than anything else. The European Economic Community is a fact, and it is going to operate very much to France's advantage for some time to come. Any progress which can be made to bring British long-term interests into line with those of the members of the Common Market is likely to be possible only by a series of untidy and piecemeal compromises on tariff dismantling and relaxation of quota restrictions. Patient plodding rather than spectacular summit meetings are likely to achieve results.

Author's Posthumous Royalties not Taxable

THE House of Lords on Tuesday unanimously dismissed the appeal of the Inland Revenue from the Court of Appeal decision in *Carson v. Exor. of Peter Cheyney* (*The Times*, November 26th). As noted in our issues of October 26th, 1957, and November 23rd, 1957, the Court of Appeal had held that copyright royalties received by the executor under contracts made by the late Peter Cheyney in the course of the latter's profession as a writer of crime stories were not taxable in his executor's hands, their taxability having been exhausted by the assessments made on Mr Cheyney's professional profits in the course of his lifetime.

Finance and Commerce

Leyland and Birmingham

THE accounts of The Leyland and Birmingham Rubber Co Ltd, for the year ended are the subject of this week's reprint. In these accounts can be followed, maybe with some pause for reflection, the processes entailed in the creation of a contingencies reserve within the revenue reserves group.

The main facts are given in the brief report of the directors which is limited to the bare essentials. After announcing their dividend intentions, the directors say that they have decided 'to transfer £50,000 to General Reserve; to create a Contingencies Reserve by transferring thereto the amounts not standing to the credit of Investment Reserve (£64,641), Provision for Stock Fluctuations, etc. (£150,000), Supplementary Provision for Renewal of Plant (£80,000), and the sum of £55,359 from Profit and Loss Account, and to carry forward to next year's account £119,834.'

It is not the custom of this company to provide anything more with the annual accounts than a brief report but the new reserve and its formation were referred to at the annual meeting at which Mr R. W. Lunn, the deputy chairman, presided in the absence of the chairman, Mr H. Berry.

'Tidying Up'

Mr Lunn told shareholders, according to Press reports, there had been a 'gathering together of items which tidy up the balance sheet'. A new item appeared, under the heading of 'Contingencies reserve', he said, that was a 'summation of items which have appeared under various headings in earlier balance sheets'. They could expect it to fluctuate in some degree, according to needs which cropped up from year to year. At present, the board had in mind fluctuations in stock values, contracts which were undetermined, and money which had to be spent on renewals of plant.

For an example of the value of 'this kind of shock absorbing reserve', Mr Lunn referred shareholders to the other side of the balance sheet where, in the second group of figures, they would find a record of investment and a note that securities for which £520,833 was paid were valued at £469,688 in June 1958. The loss, he said, caused no anxiety. If necessary, it could be written off against contingencies reserve but beyond that, there was the fact that the securities were dated gilt-edged on which the return of the original investment at redemption date could be expected.

It is possible that shareholders have not found it too easy to follow these movements in the accounts.

Puzzling

One point where shareholders are likely to be halted in their reading of these accounts is at the item 'Provision for fluctuations in stock values and undetermined contracts, etc.' From the directors' report and Mr Lunn's statement they will gather that the board's policy is to take this item out of the current liabilities and to maintain an 'all-in' reserve which will cover not only the fluctuations in stock values but other possibilities.

Yet according to the consolidated balance sheet, the stock provision is still being maintained. Some may realize that the consolidated balance sheet gives its true and fair view 'so far as practicable having regard to the fact that accounts of some of the subsidiaries are made up to different dates from those of The Leyland and Birmingham Rubber Co Ltd'.

Others may possibly be puzzled by this apparent inconsistency. An explanation of how it comes that an accounting move in one balance sheet does not seem to have been followed in other might well have been given.

Overdraft Point

THE quarto-sized booklet, opening to about 16 inches wide, is now the norm for company reports and accounts and anything much smaller, such as the 8¼ ins. × 5½ ins. of H. & A. Saunders Ltd can lead to complications; the complication in this case being that the balance sheet has to be continued from one to the next opening. This, obviously, is not a happy arrangement.

The company's business is in motor vehicles and the balance sheet shows expansion with an increase in totals from £1,393,204 to £1,791,187. The stocks of cars and spares, etc., is up from £480,828 to £682,092 and the bank overdraft from £148,924 to £324,949. In this connection, there is a very important consideration to which attention is drawn through a paragraph in the directors' report. Reference is made to the increase in the bank overdraft and the explanation is given that this is largely accounted for by the fact that the Austin Motor Co has instituted a new system of payment for vehicles by which cheques are drawn three weeks before they are actually presented.

It will be appreciated therefore, states the report, 'that the figures shown by the books of the company are considerably higher than the actual bank overdraft figure'. The auditors' report leaves the accounts to be considered in the light of this statement in the directors' report.

Next Week's Reprint

The accounts of The Clydesdale (Transvaal) Collieries Ltd will provide the subject of next week's reprint.

THE LEYLAND AND BIRMINGHAM RUBBER CO., LTD.

BALANCE SHEET AS AT 30TH JUNE, 1958.

30th June, 1957. £	£	CAPITAL AND LIABILITIES.	£	£
		1.—CAPITAL—		
		Authorised—		
1,300,000		1,300,000 Shares of £1 each	1,300,000	
		Issued—		
100,000		100,000 6 per cent. Cumulative Preference Shares of £1 each, fully paid	100,000	
1,200,000	1,300,000	1,200,000 Ordinary Shares of £1 each, fully paid	1,200,000	1,300,000
	82,758	2.—CAPITAL RESERVE		82,758
		3.—REVENUE RESERVES AND UNAPPROPRIATED PROFITS—		
300,000		General Reserve	350,000	
—		Contingencies Reserve	350,000	
64,641		Investment Reserve	—	
106,961	471,602	Profit and Loss Account	119,834	819,834
	1,854,360			2,202,592
		4.—DEFERRED LIABILITY—		
	384,505	Estimated Future Taxation at current rates ..		355,770
		5.—CURRENT LIABILITIES—		
324,512		Trade Creditors and Provision for Accrued Expenses	186,455	
150,000		Provision for Fluctuations in Stock Values and Undetermined Contracts, etc.	—	
80,000		Supplementary Provision for Renewal of Plant	—	
103,500	658,012	Provision for Final Dividend	138,000	324,455
	£2,896,877			£2,882,817

30th June, 1957. £	£	ASSETS.	£	£	£
		1.—FIXED ASSETS—			
		Land, Buildings, Engines, Boilers, Machinery, Plant, Fixtures, Fittings, Water-Rights, etc.			
		(*a*) Net Book Value, 30th June, 1948, less Sales	317,380		
174,615		*Less* Depreciation to date ..	153,470	163,910	
		(*b*) Additions since 30th June, 1948, at cost	244,078		
152,928	327,543	*Less* Depreciation to date ..	70,579	173,499	337,409
		Goodwill, Patents and Trade Marks			
	1	At cost, less amounts written off			1
	327,544				337,410
		2.—INVESTMENTS AT COST—			
92,588		Shares in Subsidiary Companies		92,588	
1,172		Trade Investments		1,172	
		Other Investments:—			
520,833		(*a*) Quoted Securities .. .. (Estimated Market Value 30th June, 1958, £469,688)		520,833	
(456,172)					
33,300	647,893	(*b*) Unquoted Securities		33,375	647,968
		3.—CURRENT ASSETS—			
502,923		Stock-in-Trade		455,020	
204,805		Sundry Debtors, less Provision for Bad Debts and Discounts		251,777	
69,750		Amounts due by Subsidiary Companies ..		4,502	
200,000		Tax Reserve Certificates		100,000	
600,000		Treasury Bills		1,000,000	
343,962	1,921,440	Cash at Bank and in hand		86,140	1,897,439
	£2,896,877				£2,882,817

R. W. LUNN,
ALBERT PARR } DIRECTORS.

PROFIT AND LOSS (APPROPRIATION) ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1958.

£	£		£	£
	260,213	To Transfer to General Reserve		50,000
	3,342	,, Transfer to Capital Reserve .. .. (Proportion of profits applicable to purchase of additional shares in a Subsidiary Company)		—
	—	,, Transfer to Contingencies Reserve		55,359
		,, Dividends for the year ended 30th June, 1958—		
3,450		On Preference Shares at 6 per cent., less tax ..	3,450	
		On Ordinary Shares:—		
34,500		Interim at 5 per cent, actual, less tax ..	34,500	
103,500	141,450	Proposed Final at 10 per cent. and Bonus of 10 per cent., both less tax	138,000	175,950
		,, Balance of Profit carried forward:—		
74,628		Subsidiary Companies	183,731	
106,961	181,589	Holding Company	119,834	303,565
	£586,594			£584,874

£	£		£	£
	336,843	By Balance, brought down		403,285
	8,259	,, Transfer from Investment Reserve		—
		,, Balance of Profit, brought forward, 1st July, 1957:—		
155,460		Subsidiary Companies	74,628	
86,032	241,492	Holding Company	106,961	181,589
	—	,, Transfer from Investment Reserve	64,641	
	—	,, Transfer from Provision for Fluctuation in Stock Values and Undertermined Contracts ..	150,000	
	—	,, Transfer from Supplementary Provision for Renewal of Plant	80,000	
			294,641	
		Less: Transfer to Contingencies Reserve ..	294,641	—
	£586,594			£584,874

AND ITS SUBSIDIARIES,
CONSOLIDATED BALANCE SHEET AS AT 30th JUNE, 1958.

CAPITAL AND LIABILITIES.

30th June, 1957. £	£		£	£
		1.—ISSUED CAPITAL OF HOLDING COMPANY—		
100,000		100,000 6 per cent. Cumulative Preference Shares of £1 each, fully paid	100,000	
1,200,000		1,200,000 Ordinary Shares of £1 each, fully paid	1,200,000	
	1,300,000			1,300,000
	134,636	2.—CAPITAL RESERVE		134,636
		3.—REVENUE RESERVES AND UNAPPROPRIATED PROFITS—		
1,425,050		General Reserve	1,471,050	
—		Contingencies Reserve	354,850	
64,641		Investment Reserve	—	
181,589		Profit and Loss Account	303,565	
	1,671,280			2,129,465
	3,105,916			3,564,101
		4.—DEFERRED LIABILITY—		
	602,422	Estimated Future Taxation at current rates ..		554,354
		5.—INTEREST OF OUTSIDE SHAREHOLDERS IN SUBSIDIARY COMPANIES—		
	604,511	Ordinary Shares and Proportion of Reserves applicable thereto		640,932
		6.—CURRENT LIABILITIES—		
474,871		Trade Creditors and Provision for Accrued Expenses	284,445	
300,000		Provision for Fluctuations in Stock Values and Undetermined Contracts, etc.	150,000	
80,000		Supplementary Provision for Renewal of Plant	—	
103,500		Provision for Final Dividend, less tax, on Ordinary Shares of Holding Company	138,000	
	958,371			572,445
	£5,271,220			£5,331,832

ASSETS.

30th June, 1957. £	£		£	£	£
		1.—FIXED ASSETS—			
		Land, Buildings, Engines, Boilers, Machinery, Plant, Fixtures, Fittings, Water-Rights, etc.			
		(*a*) Net Book Value, 30th June, 1948, *less sales*	468,453		
248,745		*Less* Depreciation to date ..	237,217	231,236	
		(*b*) Additions since 30th June, 1948, at cost	1,215,583		
742,482		*Less* Depreciation to date ..	455,499	770,084	
	991,227				1,001,320
		Goodwill, Patents and Trade Marks.			
	1	At cost, less amounts written off			1
	991,228				1,001,321
		2.—INVESTMENTS—			
1,172		Trade Investments, ...		1,172	
		Other Investments:—			
520,833		(*a*) Quoted Securities		520,833	
(456,172)		(Estimated Market Value 30th June, 1958, £469,688)			
33,300		(*b*) Unquoted Securities		33,375	
	555,305				555,380
		3.—CURRENT ASSETS—			
1,225,804		Stock-in-Trade		1,173,318	
721,876		Sundry Debtors, less Provision for Bad Debts and Discounts		754,846	
200,000		Tax Reserve Certificates		100,000	
600,000		Treasury Bills		1,000,000	
977,007		Cash at Bank and in Hand		746,967	
	3,724,687				3,775,131
	£5,271,220				£5,331,832

STATEMENT IN PURSUANCE OF PARAGRAPH 22, 8TH SCHEDULE, COMPANIES ACT, 1948.

In order to avoid delay in the submission of the consolidated accounts, the accounts of two overseas Subsidiary Companies have been made up to 28th February, 1958.

R. W. LUNN, } DIRECTORS.
ALBERT PARR

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1958.

Year ended 30th June, 1957 £	£		£	£
	82,228	To Depreciation of Fixed Assets		79,069
		„ Emoluments of the Directors of The Leyland and Birmingham Rubber Co., Ltd.—		
	15,269	Management Salaries	14,800	
1,900		Management Pensions to Former Directors ..	1,900	
4,548		Fees	4,146	
	21,717			20,846
	356,583	„ Estimated Taxation on Profits for the year ..		295,848
	133,418	„ Proportion of Profits of Subsidiary Companies attributable to outside Shareholders		121,464
	336,843	„ Balance, carried down, being proportion of the profits for the year attributable to Shareholders of the Holding Company		403,285
	£930,789			£920,512

Year ended 30th June, 1957 £	£		£	£
	921,737	By Aggregate Net Profits on Trading for the year ..		911,379
		„ Dividends and Interest received (Net.):—		
303		Trade Investments	303	
8,749		Other Investments	8,830	
	9,052			9,133
	£930,789			£920,512

CITY NOTES

WALL Street's setback and a spate of statements from company chairmen emphasizing current trading difficulties have led to an easier tendency in the London stock-markets. The New York market has admittedly been 'riding for a fall' for some time and its shakeout comes as little surprise.

It would also be surprising if the London market were to maintain the recent pace of its advance. Share prices are discounting re-expansion some six months ahead but, in the heavy industries in particular, the next few months will be slow to show any direct result of the freer credit moves recently put into effect.

There is at present a considerable surplus capacity to be made good in the capital equipment industry and also a considerable degree of under-employment of the existing labour force.

While the London market is now tending to recognize these points it is also taking into account the inflationary effect of a vastly increased volume of spending power in the hands of the public. The market may therefore be discounting inflation rather than economic re-expansion.

The failure of the gilt-edged section to respond to any degree to the lower Bank rate is evidence enough that investors are treating with caution the official claim that inflation has been checked.

Undated gilt-edged stocks are standing at three points below those reached when Bank rate was reduced from 5 per cent to 4½ per cent. The reduction to 4 per cent has so far failed to attract support to the market.

RATES AND PRICES

Closing prices, Wednesday, November 26th, 1958

Bank Rate

Feb. 16, 1956	5½%	May 22, 1958	5½%
Feb. 7, 1957	5%	June 19, 1958	5%
Sept. 19, 1957	7%	Aug. 14, 1958	4½%
Mar. 20, 1958	6%	Nov. 20, 1958	4%

Treasury Bills

Sept. 19	£3 11*s* 9·20*d*%	Oct. 24	£3 13*s* 7·94*d*%
Sept. 26	£3 12*s* 6·10*d*%	Oct. 31	£3 11*s* 8·23*d*%
Oct. 3	£3 14*s* 1·39*d*%	Nov. 7	£3 11*s* 7·04*d*%
Oct. 10	£3 13*s* 0·72*d*%	Nov. 14	£3 11*s* 0·97*d*%
Oct. 17	£3 12*s* 3·08*d*%	Nov. 21	£3 8*s* 4·68*d*%

Money Rates

Day to day	2–3¼%	*Bank Bills*	
7 days	3–3⅛%	2 months	3 9/16–3⅝%
Fine Trade Bills		3 months	3 9/16–3⅝%
3 months	4¼–5%	4 months	3 9/16–3⅝%
4 months	4¼–5%	6 months	3 9/16–3 11/16%
6 months	4½–5½%		

Foreign Exchanges

New York	2·80⅜–7/16	Frankfurt	11·69⅝–⅞
Montreal	2·71⅝–11/16	Milan	17·45½–¾
Amsterdam	10·57⅝–⅞	Oslo	20·00⅝–⅞
Brussels	139·52½–57½	Paris	1178⅜–⅝
Copenhagen	19·33⅝–⅞	Zurich	12·23½–⅞

Gilt-edged

Consols 2½%	51⅜	Funding 4% 60–90	88⅞
Consols 4%	74½	Savings 2½% 64–67	83⅛
War Loan 3½%	66xd	Savings 3% 55–65	89 5/16
Conversion 3½%	66⅛	Savings 3% 60–70	79⅞
Conversion 3½% 1969	86⅝	Savings 3% 65–75	74⅛
Exchequer 5½% 1966	102¾	Treasury 2½%	49⅜
Funding 3% 66–68	83½	Treasury 3½% 77–80	76xd
Funding 3% 59–69	82	Treasury 3½% 79–81	76½
Funding 3½% 99–04	72½	Victory 4%	96

Reviews

Essentials of Accounting

by WILLIAM A. PATON, PH.D., C.P.A., LITT.D., and ROBERT L. DIXON, M.B.A., PH.D., C.P.A. (The Macmillan Co, New York, London. 52*s* 6*d* net.)

This new volume from Michigan, intended for a first year's college course, takes the reader in the greatest detail from the first ideas of transaction recording to the intricacies of consolidation and the variety of management ratios and statements. The emphasis is on the clerical work of an accountant and no attempt is made to deal with his professional duties. As an American book, written primarily for American students, the English reader will need considerable patience in acquiring familiarity with the phraseology; he will also be conscious of the conspicuous absence of statute or case references, stemming partly from the complexities of the system whereby it is possible for a parent company in one State to have subsidiaries in other States, each subject to different laws.

The good things in the book are many. Thus, 'Work Sheets' gives the detail of trial balance structure and a methodical plan for tracing errors; 'Stock Accounts' clarifies the thorny subject of LIFO and its limitations. Cost accounting is condensed into two short excellent chapters giving a lucid treatment of standard costing and the integration of variance accounts with the financial books; the merits of 'no-par stock' issues are detailed; there is an excellent introduction to management accounting, and finally, a stimulating essay on price levels and the technique of uniform dollar accounting.

The treatment sometimes seems over-exhaustive and one feels the student would gain much from the inclusion of a few clear diagrams of forms and charts at the cost of less reading matter. One looks in vain for any serious consideration of accounting machines, punched-cards or computers, and yet their influence

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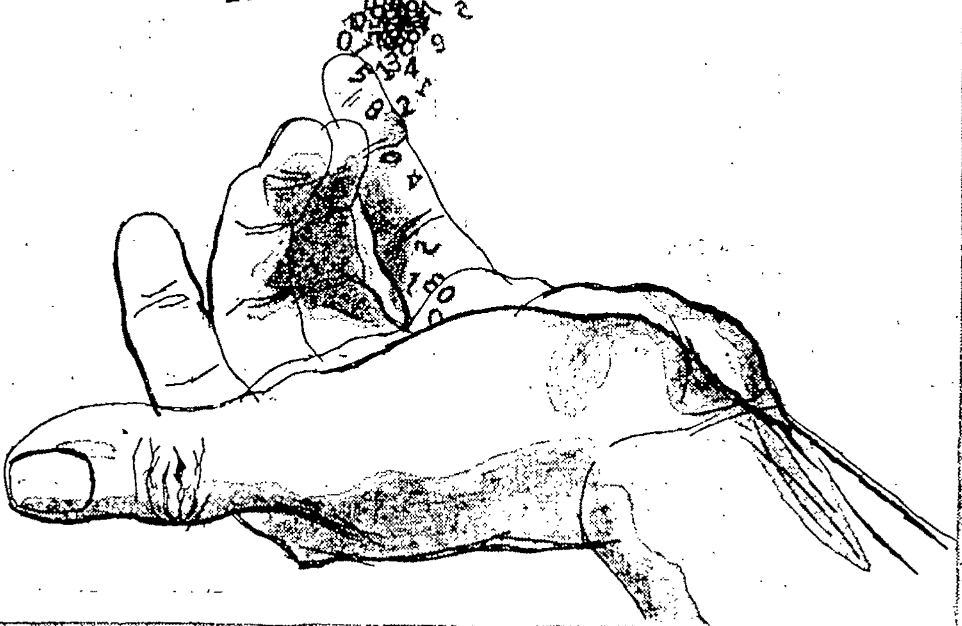

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on the very fundamentals of accounting techniques is enormous, and the treatment of old-fashioned day-book and journal entries is laboured at the expense of these modern tools. Goodwill, also, receives scant mention, and the carrying forward of preliminary expenses as a permanent asset is not usually advocated.

Taken overall, however, this is a most stimulating examination of the fundamentals of recording, and particularly useful to those in any way concerned with American accounting.

Building Societies Year-Book, 1958

(Franey & Co Ltd, London. 42*s* net; 43*s* 9*d* post free.)

This comprehensive work of reference which is the official handbook of The Building Societies Association, gives details and extended balance sheets of the 343 members of the Association and of the 768 societies operating in Britain, Northern Ireland and the Republic of Ireland. Other regular features include tables showing comparative figures for a three-year period, of total assets, current percentages of reserves, liquid funds and mortgages of over £5,000 of all the larger societies.

The foreword of the book points out that, influenced by the 7 per cent Bank rate, local authorities and other lending institutions so restricted the provision of funds for house purchase that the call upon building societies was, in consequence, in excess of their capacity. Total advances, however, amounted to £371 million, an increase of £36 million on the previous year.

Figures show that although withdrawals in 1957 amounted to £337 million, an increase of £11 million on the previous year, new investments totalled £433 million, an increase of £13 million. Total assets at £2,408 million were £178 million higher than at the end of 1956.

The Costs of Education

by John Vaizey. (George Allen and Unwin Ltd, London. 30*s* net.)

The purpose of this study is to assess the real cost of providing educational services in the United Kingdom between 1920 and 1955. A measure of the claims of these services on the national resources is provided by relating expenditure to the national income while changes in annual expenditures are adjusted for variations in the price level and population of school age. This is a pioneer study of the subject sponsored by the Economic Research Council and Mr Vaizey has served his sponsors well.

While some of the author's conclusions depend primarily upon the validity of the assumptions on which his estimates are based – for example, the relative benefits from educational expenditure of middle- and working-class school children – the general impression created by his figures is not likely to be disputed. On the foregoing point, Mr Vaizey concludes that the main beneficiaries of the 1944 Education Act have been the middle-class families and not the working class. The fluctuating fortunes of the teaching profession are analysed and discussed, while the changes in the sources of revenue are clearly brought out. The Scottish system earns some praise, which is more than can be said of that nearer home. It becomes very clear that the Ministry of Education remains the poor relative in the family of Government departments. At present we are spending a smaller proportion of our national income on this vital service than we did before the war.

While there is much in Mr Vaizey's book to dispel some of the ignorance and prejudice which surrounds the subject of public education at the present time, many readers will still feel that he has given only half of the picture. Accountants, as employers receiving the end-product of some of our educational institutions, will have views on this. There is still too strong an inclination on the part of some people to demand higher education for all and sundry, irrespective of its cost and the ability of young people to benefit from it. Equal opportunity is an eminently desirable goal, but the spending of a small fortune will not necessarily achieve it.

Kommentar zum Internationalen Steuerrecht der Bundesrepublik Deutschland (Commentary on the International Tax Law of the Federal Republic of Germany)

by R. C. Albert Schmitz. (Institut der Wirtschaftsprüfer, Düsseldorf.)

The author of this comprehensive commentary on the international tax law of the Federal Republic of Germany is an accountant and tax consultant.

A 'General Part' of eighty-three pages discusses the principles of international tax law, the importance of international double taxation agreements as foundations of international tax law, and the various means of avoiding double taxation by way of tax credit or divided tax sovereignty of the two countries concerned. It is followed by a systematic survey of the international tax law as provided by German statute law in the light of the jurisdiction of the German Courts and of the double taxation agreements of the Federal Republic with various countries such as Austria, Brazil, Canada, Chile, Denmark, Finland, France, Great Britain, Greece, Italy, Sweden, Switzerland, United States of America.

The author considers the main international terms used in the conventions, such as residence of individuals and companies, permanent establishments from the German and the other countries' legal point of view, and examines the treatment accorded to the various types of income such as commercial and industrial profits, income from agriculture and forestry, income from professional and personal services, from capital and property, by the conventions. He analyses the special provisions of the German law of taxation of non-resident persons and of concessions to persons who are taking up residence in Germany, such as lump-sum taxation and preferential tax rates or computation rates.

The work includes the special German taxes levied on commercial and industrial enterprises ('Gewerbesteuer'), on real property ('Grundsteuer'), and the various German property taxes, their international aspects and their restrictions by double taxation conventions.

The last part gives the text of the various German double taxation conventions and of the German tax decrees and rulings by the Ministry of Finance which affect the tax liability of foreigners.

The author has given a comprehensive survey of German international law as embodied in German statutory law and in the various double taxation conventions with foreign countries. He has restricted his examination of foreign tax law to the interpretation by the national law of the countries concerned of the main terms of the double taxation conventions. His references to literature and jurisdiction are confined to those in the German language. The book can be recommended, for those who are linguists, as a most useful guide in the field of German international tax law.

Principles and Practice of Book-keeping and Accounts

Fifteenth Edition by B. G. VICKERY, F.C.A., F.C.I.S., F.C.W.A. (The Donnington Press, St Albans, and Cassell & Co Ltd, London. 24*s* net.)

A chapter on the accounts of holding companies has been added to the latest edition of this textbook of exactly 900 pages. Specimen questions are appended to each chapter to give the student practice in working out exercises quickly and accurately, faculties which, as the author rightly states, are essential to success in book-keeping and accountancy examinations.

Textbook of Economic Analysis

by EDWARD NEVIN, M.A. (WALES), PH.D.(CANTAB). (Macmillan & Co Ltd, London. 18*s* net.)

This new addition to the ranks of elementary textbooks is intended primarily for the sixth former taking economics in his advanced level G.C.E. examination. It sets out to give such a reader 'a firm and precise understanding of fundamental concepts'. Its coverage is wide: the theory of demand; production; the firm; distribution; money and banking; employment and international trade.

Although its approach is theoretical, the work is not unduly abstract. The theoretical concepts are always related to realities that the reader can readily understand. The author does not hesitate to illustrate theoretical concepts and problems by reference to real institutions and situations, but descriptive material and discussion of topical problems for their own sake are excluded.

For this reason, it will not suit everyone approaching economics for the first time, but anyone who needs a sound grounding in formal economic theory will find it invaluable. Such a student can always fill in the descriptive gaps from other sources, whilst his understanding of current problems will be all the greater for a firmer grounding in theory.

There are defects; the most serious of these is the failure to make it quite clear that the law of diminishing returns and the tendency to increasing returns in industry involve different assumptions. But such defects in the book are, however, outweighed by its merits.

Teach Yourself Insurance

by H. A. L. COCKERELL, B.A., F.C.I.I. (The English Universities Press Ltd, London. 6*s* net.)

After a brief historical preamble, the author describes the financial mechanism of insurance, the various risks which may be covered and, finally, the structure of the many offices and organizations connected with it. His manual is intended to be of an introductory character and a useful bibliography for further reading is provided. The narrative throughout is straightforward and Mr Cockerell is to be praised for presenting his subject in such clear perspective in no more than two hundred pages.

SHORTER NOTICES

KONSTAM'S INCOME TAX. Cumulative Supplement No. 5 to the Twelfth Edition, by J. E. Vinelott, B.A., Barrister-at-Law. (Stevens & Sons Ltd, London; Sweet & Maxwell Ltd, London. 10*s* 6*d* net.) The rapidity with which income tax law develops is emphasized by the fact that this new supplement is eighty-seven pages long, as against the sixty-four of its predecessor in 1955. Nevertheless, the very useful index which appeared in the previous supplement has been dropped without comment. There are four pages on the new provisions for overseas trade corporations, but this is, of course, only a broad outline; the reader is referred to the statute itself, which for many readers must be a counsel of despair. The note on the decision in *Bingham v. C.I.R.* (34 A.T.C. 231) implies, erroneously, that in that case the obligation was an English obligation. In fact, it was an obligation imposed by a Dutch Court.

ARCHER'S LOAN REPAYMENT AND COMPOUND INTEREST TABLES. Tenth edition by P. G. Brown, M.A., and W. A. Forster. (Shaw & Sons Ltd, London. 98*s* net.) Whether computers will in time eliminate the necessity for large books of interest tables is still conjecture but until this happens, if it does, we should be grateful to those public-spirited individuals who have compiled and who continue to edit the latter. Mr Archer first published his tables in 1886 and, since then, the scope of the work has steadily been widened and, in so far as one may apply the description to such a monumental volume, streamlined. The present set, which cover the repayment of a loan by way of annuity, the sinking fund and the accumulation of a sinking fund, the amount and present value of 1 and the amount of 1 per annum and the nominal rates of interest equivalent to effective rates and conversion factors, are prefaced by several useful pages of instruction on how to use them and there is an appendix explaining their construction.

Elements of Company Law, Seventh Edition, by Harry Farrar, M.C., M.A.(OXON.), LL.B.(LOND.) (Cassell & Co Ltd, London. 15s net.) Of the making of textbooks on company law there seems to be no end. This example covers 305 pages and is very attractively set out. As a student's introductory textbook it has already established a very firm place; the changes since the last edition are not very great.

The Accounts of Limited Company Customers, by L. C. Mather, B.COM.(LONDON.), F.C.I.S., F.I.B. (Waterlow & Sons Ltd, London. 12s 6d net.) Mr Mather is already the author of a treatise entitled *The Lending Banker* in which he lays down some excellent precepts on balance sheet analysis. His new collection of articles is designed to help branch bank managers to understand company accounts without delving too deeply by way of preliminary preparation into the intricacies of company law. His approach, as before, is both lucid and logical and the text is clearly referenced and indexed.

RECENT PUBLICATIONS

Dymond's Death Duties, Third (Cumulative) Supplement to the twelfth edition, by Robert Dymond and Reginald K. Johns, LL.B. xix+182 pp. 9½×6. 21s net. The Solicitors' Law Stationery Society Ltd, London.

A Guide to the Preparation of Accounts of Trustees and Liquidators, second edition, by Walter Goldberg, C.A.(S.A.). 92 pp. 9×5½. 31s 6d net. Juta & Co Ltd, Cape Town. United Kingdom agents: Sweet & Maxwell Ltd, London.

Practical Book-keeping, by W. H. H. Lane, B.COM.(LOND.) HONS., F.C.C.S. Part I – Elementary, second edition. xxiii+372 pp. 7½×5. 10s 6d net; Part II – Intermediate and Advanced, first edition, xx+526 pp. 7½×5. 15s net. MacDonald & Evans Ltd, London.

Exercises in Practical Book-keeping, by W. H. H. Lane, B.COM.(LOND.)HONS., F.C.C.S. Part I – Elementary. viii+148 pp. 7½×5. 5s net; Part II – Intermediate and Advanced, viii+210 pp. 7½×5. 7s 6d net. MacDonald & Evans Ltd, London.

Tax Cases reported under the direction of the Board of Inland Revenue, Vol. 37 – Part 10 (pages 665–743). 9½×6. 3s net. H.M.S.O., London.

Work Study in the Office, by Harry P. Cemach, A.C.A., A.I.L., M.O.M.A., M.W.S.S. viii+166 pp. 9×5½. 25s net. 'Office Magazine' Publication: Current Affairs Ltd, 319 High Holborn, London, WC1.

A Guide to Auditing, by W. T. Dent, F.C.A. 144 pp. 9×5½. 21s net. Gee & Co (Publishers) Ltd, London.

Correspondence

Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.

Accounts from Incomplete Records

Sir, – I have read with interest 'D. G. M.'s' letter in your issue of November 22nd, regarding the Inland Revenue's habit of 'rounding off' assessments on accounts produced from incomplete records.

In my experience an Inspector, who confessed to being recently moved up from the Somerset countryside, tried to insist on rounding off some of my figures produced from incomplete records. I strongly objected to this procedure, bearing in mind that I had disclosed to the Inland Revenue all the estimates I was forced to make, and finally the Inspector agreed to accept my figures.

I would unhesitatingly agree with Mr Barradell that this practice by the Inland Revenue should be resisted, since surely it strikes at the very root of the acceptance by the Inland Revenue of the professional accountant's figures and even tends to cast doubts upon his integrity.

Yours faithfully,
L. A.

U.K. Subsidiary of Overseas Company

Sir, – A company registered overseas fulfills the requirements of an exempt private company. Consequently, by virtue of the proviso to Section 410 of the Companies Act, 1948, it need not deliver its accounts to the Registrar.

This company has formed a wholly-owned subsidiary in the United Kingdom with two nominal shareholders each holding one share in respect of which the customary declarations of trust and blank transfers have been signed.

The Board of Trade insist that the subsidiary company shall file its accounts. It seems anomalous that this should be necessary in the case of the wholly-owned subsidiary of an exempt private company. Yet it would seem to be the law. Is there no way of legal avoidance?

Yours faithfully,
BETA.

Capital Expenditure: Factors Governing Expansion

Sir, – In the context of capital expenditure budgeting it would be helpful if readers, from their experience, could indicate the factors which should govern the rate at which a manufacturing company might be allowed (*a*) to re-equip and (*b*) to expand.

Yours faithfully,
CAPITAL.

Simpler Multiplication

Sir, – Some weeks ago you published letters from readers on the subject of multiplication of two numbers differing by a small even number: the method to be adopted was based on the formula $(a+b)(a-b)=a^2-b^2$, e.g. to multiply 43 by 37, write $(40+3)(40-3) = 1{,}600 - 9 = 1{,}591$. Such examples are easy to compose, but seldom occur in practice: more useful, perhaps, being of general application, is the trick of multiplying any two numbers together in one line. Example, multiply 1,234 by 567: write them down thus:

1,234
567

and say, 7×4=28: put down 8 and carry 2

1,234
567
8

then say, 7×3=21, plus 2=23, plus 6×4, i.e. 24, =47: put down 7 and carry 4

1,234
567
78

next, 7×2=14, plus 4=18, plus 6×3, i.e. 18=36, plus 5×4, i.e. 20=56: put down 6 and carry 5

1,234
567
678

next, 7×1=7, plus 5=12, plus 6×2, i.e. 12=24, plus 5×3, i.e. 15=39. Put down 9 and carry 3

1,234
567
9,678

next, 6×1=6, plus 3=9, plus 5×2, i.e. 10=19: put down 9 and carry 1

1,234
567
99,678

Finally, 5×1=5, plus 1=6

1,234
567
699,678

Some people find it easier to say the figures aloud; whether it is done this way or mentally, it takes about a quarter of the time needed for the old-fashioned method, and a tenth of the time taken to write all this out. My time on a four-figure number multiplied by a three-figure number is 25 seconds, and I am not as young as I used to be!

I was taught this at school over fifty years ago, but I have never met anyone since who knew about it, although I believe it was published in a book on mental arithmetic a few years ago.

Yours faithfully,
London, EC2. R. A. HADRILL.

P.A.Y.E. and National Insurance

SIR, – Mr Gosden's letter of November 15th, suggesting that P.A.Y.E. and National Insurance deductions should be combined in one process, poses another problem. How would business deal with the constant weekly changes in the value of the stamps where graduated stamps fluctuate with total earnings? Will the stamps vary with every weekly change in the annual income?

The Ministry's scheme of scheduled stamping – now easily operated – will become complicated with an even greater variety of stamps. Will a certificate of earnings be required to prove the value of stamps recorded? How will dual employments be dealt with?

Yours faithfully,
Bristol. L. C. WORRALL.

SIR, – Mr Gosden's letter (November 15th issue) on this subject has raised considerations which have been in my mind for some weeks now. I can assure him of my personal support for any campaign aimed at combining the processes of P.A.Y.E. and National Insurance. At the inception of the scheme there may well have been a psychological justification for the physical representation of contribution and entitlement by means of the purchase of stamps to be stuck on cards. The retention of such an outmoded, unwieldy and uneconomic system of what is in effect no more than another method of tax collection cannot now be justified. What is more, on the face of it the present form is misleading to the uninformed. No National Insurance card states that the contributions are insufficient in themselves to support the scheme or that subsidies from the Exchequer are regularly made each year.

This is just another facet of an archaic system of national accounting which is almost impossible for the man in the street (or even an accountant!) to understand. Who really knows what is the effect of a budget surplus or where it goes? What is the difference between – or, probably more important, the justification for – 'above or below the line' treatment? How many people, for example, known that expenditure on roads is charged 'above the line'? Why? Because it is part of the Ministry of Transport vote and that has 'always gone above the line'. The national accounting system is quite obviously a hotchpot of historical expedients (many with an original political bias), stultified by tradition, precedent and the general disinclination of the average Civil Servant to do anything except perpetuate the *status quo*.

One wonders who has the incentive to institute a change. Is it the politician? I doubt it, or not without considerable pressure. The very complexity of the situation may provide a most convenient smoke screen. We know that it won't come from the Civil Service. The taxpayer has a right to know in simple, understandable terms 'where the money comes from' and, more important, 'where the money goes'. Many local authorities in their rate demands have established the admirable practice of giving ratepayers just this information. I suppose it is the taxpayer who must set the ball rolling.

We need, in order of preference as to its likely efficacy:

(1) an independent firm of chartered accountants

appointed by the Government to investigate, report and make recommendations;

(2) a Royal Commission;

(3) A committee of the Institute to tackle it.

My first preference is by no means facetious. Why not? I can't see it getting done any better. Failing a Royal Commission, there is no doubt that any report by the Institute would have a considerable effect on public opinion. A great deal has already been done by the business community towards simplification of published accounts – accounts in which only a limited number of people are interested. Let us have (logical) simplification of the accounts in which we are *all* interested.

Yours faithfully,

London, SE1. PETER HAYMAN.

MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

ANNUAL DINNER

The annual dinner of the Manchester Society of Chartered Accountants was held at *The Midland Hotel*, Manchester, on November 20th. The President of the Society, Mr A. H. Walton, F.C.A., was in the chair and there were about 380 members and guests, including Sir Charles C. Renold, J.P., M.B., Mr W. L. Barrows, LL.D., J.P., F.C.A., President of The Institute of Chartered Accountants in England and Wales, Mr F. Bancroft Turner, B.A., LL.B., Manchester Stipendiary Magistrate, presidents of district societies and representatives of other professional bodies and of the Inland Revenue.

Accountancy's Long History

Sir Charles Renold, proposing the toast of 'The Institute of Chartered Accountants in England and Wales', traced what he described as the history of accountants and accountancy through the ages from the time of Joseph in Egypt. He said it was a pleasure to couple with the toast the name of the President of the Institute, who was a colleague of his on the board of directors of his (Sir Charles's) firm in Manchester. Mr Barrows, he said, was one of those who could keep in mind the facts behind the figures and was never dazzled by his expertise which was very high, and he had also shown he was well able to meet all sorts of human situations in which decisions had to be taken and in which essential facts could not be represented in accountancy terms at all. A man who could combine those qualities was a great accountant indeed.

Responding, the President, thanked Sir Charles for his kind references to the Institute and to himself, and continued:

> 'You have traced the history of accountancy and the accountant and I realize how much research work you must have carried out in giving us information which I, personally, have never heard before. You have referred to the use of stores and accounts records on clay tablets. I believe I am right in saying that the Incas of Peru had a regular system of keeping records by means of coloured pieces of string knotted in a peculiar way. The use of knots as reminders is, as we know only too well, not quite obsolete as many of us make knots in our handkerchiefs to remind us of something we ought to do for our wives. I believe that a form of knotted record is used by several of the tribes in the Pacific Islands and the Jewish *tallith* or scarf has fringes which imply certain facts.
>
> 'The ordinary rosary, with its ten beads, has also something in common with knots and possibly the abacus of the Greeks and the Chinese may have a similar origin.'

Mr Barrows said that most accountants in practice these days had difficulty in acquiring and retaining staff. In this they were in competition with industry, commerce and the State, and they could not always match the terms offered by these competitors. In the old days it was the duty of principals to train their articled clerks and for their parents to maintain them.

> 'Nowadays,' he said, 'we are expected to assume the dual responsibility, which is probably a good thing. The inevitable result has been that the cost of training newly-qualified men had increased rapidly. The benefit of this goes in many cases to our clients, who have a habit of engaging many of the best men we have trained.'

The Institute's committee which was considering the question of training and education took its job very seriously and, if members could help in this work, the Council would be very grateful.

Tribute to Manchester Men

Manchester, continued the President, is now the largest provincial district society of the Institute. For some years there was competition with Birmingham, but they had now left Birmingham far behind in numbers.

> 'I pay tribute,' he went on, 'to the members of the Council representing your area. First there is Mr James Blakey, who became a member of the Council in 1937. There is no need for me to say what a great debt the whole of the profession owes to him for the enormous amount of work he has done and for his robust independence. (*Applause.*) Then there is Mr J. H. Bell, who joined the Council in 1956, and Mr Mark Wheatley Jones, who joined us in 1953. They all serve us extremely well and Mr Wheatley Jones is doing great work as Vice-Chairman of the Articled Clerk's Committee. (*Hear, hear.*)'

Proposing the toast of 'The Guests', Mr Mark Wheatley Jones said that it seemed to him to wish good health to their guests was the perfect of what *Punch* called a glimpse of the obvious. (*Laughter.*)

Mr Barrows recently appeared in one of the leading financial weekly papers as 'the man of the week'. They welcomed him at their dinner as 'the man of the year'. Those of them who had had the opportunity of seeing some of his work on the Council knew what an immense amount of time, original thought and inspiration he had given to the profession in general, and in particular to the welfare and training of articled clerks. Mr F. Bancroft Turner replied.

Mr F. M. Gilliat, F.C.A., proposed a vote of thanks to the chairman and Mr Walton, in reply, thanked Mr J. V. Eastwood, F.C.A., Secretary of the Society, and his staff, for their work.

PRESENTING A FAIR VIEW

Past President's Comments at Darlington Dinner

Progress has been made in the last few years in the standard of published profit and loss accounts and in showing a fair view of the profit for the year, said Mr W. H. Lawson, C.B.E., B.A., F.C.A., Immediate Past President of The Institute of Chartered Accountants in England and Wales, at the ninth annual dinner of the North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants held in Darlington on November 19th.

This progress was remarkable, he said, considering that human nature made it difficult for some to resist the instinct to tuck something away in good years and bring it out in bad years.

Much less progress had been made with the balance sheet, however, and, indeed, for a time there was an inclination by accountants and business men, fostered to some extent by the Stock Exchange attitude, to regard the balance sheet as of little value.

'That attitude of mind has received an appropriate corrective from the multitude of take-over bids, some of which have revealed a strengh of the asset position of which shareholders and sometimes even directors have been unaware'.

Assets in Balance Sheets

Mr Lawson said it was necessary continually to remember that directors had an obligation to prepare, and auditors to report upon, a balance sheet which showed a fair view of the state of the company's affairs. He illustrated this point by two simple examples.

In the first he assumed that a company had bought a freehold site in the centre of Darlington in the year 1858 for £10,000. That item might well continue to appear in the accounts as freehold land, at cost, £10,000, but unless shareholders were told that the land was bought as long ago as 1858 – when values were quite different – could it be said that a fair view had been given of that particular item in the accounts?

He then considered the position of a trade investment which might have been bought many years ago for £10,000, representing perhaps a 50 per cent share in another undertaking. Assuming that that undertaking was now earning £100,000 a year and had always ploughed back its profits, paying no dividend, the accounts of the company holding the investment would still record it at £10,000 and the profit and loss account would not reflect any income from it. Again, was that a fair view as regards that particular item?

Some companies, said Mr Lawson, had adopted the practice of revaluing their assets, and up to a point this was useful, but it was not necessarily the answer. Valuations were difficult to make, and experts' opinions might differ widely. Moreover, the value of most fixed assets was dependent on earnings which might fluctuate violently. In other cases, assets might be worth more than earnings, and the business might be worth more dead than alive.

Mr Lawson said that in the case of a 50 per cent investment such as he had described, the valuation might be wellnigh impossible because the company holding it was not master of the situation and must agree a policy with its partners. Factually the accounts of the company were correct because no income was coming in from its investments at the present time. It seemed that the answer could only lie in the disclosure of much fuller information regarding these types of assets and this was the line which the Council of the Institute had taken in a new recommendation.

The Institute's New Recommendation

The recommendation dealt, he said, with the treatment of investments in the balance sheets of trading companies (see page 666 of this issue), and it included an important paragraph which covered the type of situation to which he had referred when neither the amount at which the trade investment appeared in the accounts of the company holding it, nor the income which reaches that company were an adequate reflection of the investment's value.

The Council's recommendation stated that without some explanation the accounts might, in such circumstances, fail to show a fair view. He would not prophesy whether this type of recommendation might ultimately be extended to cover other items in addition to trade investments, though he thought that, for the moment, it was unlikely.

The toast of 'The Institute of Chartered Accountants in England and Wales', to which Mr Lawson replied, was proposed by Mr J. R. Ropner, High Sheriff of the County Palatine of Durham, who said that the repute of the profession depended on the skill and integrity of the individual members. 'Nowhere in the world', he added, 'can the profession stand higher in public esteem than it does here: Your certificate has very much the same authority as one from the Bank of England.'

Gracious Gesture

The toast of 'Our Guests' was proposed by Mr C. Percy Barrowcliff, F.C.A., a member of the Council of the Institute. In an amusing speech, Mr Barrowcliff, a former President of The Society of Incorporated Accountants, referred to the recent integration and said it was a very gracious gesture on the part of the Branch to ask him to propose the toast, and this was in keeping with the great warmth of the welcome he received when he joined the committee.

The toast was responded to by Col. J. G. Peckston, O.B.E., T.D., F.I.C.S., President of the Tees-side and South West Durham Chamber of Commerce.

Mr C. H. W. Sansom, F.C.A., Chairman of the branch, who presided, said that the dinner was the first to be held since integration and he was glad to see so many former members of the Society present. The branch membership, he said, numbered about 170, but it was hoped to raise this to 200 before the end of the year.

Mr Sansom, himself a past secretary of the branch, paid a tribute to the present secretary, Mr H. B. Kilvington, A.C.A., for his work.